

**Agency Legislative Budget**

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	100.06	0.00	4.00	104.06	0.00	4.00	104.06	104.06
Personal Services	4,652,921	708,297	704,138	6,065,356	729,005	945,547	6,327,473	12,392,829
Operating Expenses	6,571,778	105,760	1,726,268	8,403,806	62,484	456,140	7,090,402	15,494,208
Equipment	18,742	0	225,000	243,742	0	225,000	243,742	487,484
Local Assistance	7,590,416	807,730	877,947	9,276,093	919,945	1,480,007	9,990,368	19,266,461
Grants	13,151,418	251,681	3,805,556	17,208,655	433,126	5,145,551	18,730,095	35,938,750
Benefits & Claims	21,967,240	0	18,700,000	40,667,240	0	21,800,000	43,767,240	84,434,480
Transfers	148,037,141	1,579,652	27,785,345	177,402,138	1,724,263	33,240,404	183,001,808	360,403,946
Debt Service	0	0	0	0	0	0	0	0
<b>Total Costs</b>	<b>\$201,989,656</b>	<b>\$3,453,120</b>	<b>\$53,824,254</b>	<b>\$259,267,030</b>	<b>\$3,868,823</b>	<b>\$63,292,649</b>	<b>\$269,151,128</b>	<b>\$528,418,158</b>
General Fund	149,076,830	(916,437)	29,676,611	177,837,004	701,129	38,022,396	187,800,355	365,637,359
State/Other Special	14,296,001	3,655,660	2,703,500	20,655,161	2,459,773	775,548	17,531,322	38,186,483
Federal Special	38,616,825	713,937	21,341,743	60,672,505	707,963	24,392,194	63,716,982	124,389,487
Proprietary	0	(40)	102,400	102,360	(42)	102,511	102,469	204,829
<b>Total Funds</b>	<b>\$201,989,656</b>	<b>\$3,453,120</b>	<b>\$53,824,254</b>	<b>\$259,267,030</b>	<b>\$3,868,823</b>	<b>\$63,292,649</b>	<b>\$269,151,128</b>	<b>\$528,418,158</b>

**Agency Description**

The Office of the Commissioner of Higher Education (OCHE) is the state-level administrative organization of the Montana University System (MUS). The Montana Constitution, Article X, Section 9, grants governance authority over the MUS to the Board of Regents (Regents), with seven members appointed by the Governor. The Constitution charges the Regents with hiring a Commissioner of Higher Education (CHE) who serves as its executive staff.

All state funds appropriated by the legislature to the Regents for the support of the MUS are channeled through OCHE.

The Montana University System is comprised of:

- The Board of Regents
- The Commissioner of Higher Education, his/her staff, and several system-wide programs administered from the Office of the Commissioner of Higher Education
- The University of Montana, with:
  - Four-year campuses in Missoula, Butte, and Dillon
  - Two-year college of technology campuses in Missoula, Butte, and Helena
  - Two research/public service agencies in Missoula and Butte
- Montana State University, with:
  - Four-year campuses in Bozeman, Billings, and Havre
  - Two-year college of technology campuses in Billings and Great Falls
  - Three research/public service agencies in Bozeman and Great Falls
- Two-year community colleges in Kalispell, Glendive, and Miles City. Governance of the community colleges is divided between the Regents and the local board of trustees of each community college district

To fund the MUS, the OCHE budget is organized into the following programs:

- OCHE Administration Program includes the CHE, his/her staff, and all state-level administrative costs related to the MUS not accounted for in other OCHE programs
- Student Assistance Program includes both state and federal funding of interstate student exchange programs and student aid programs administered at the state level, including Work Study programs and the Governor's Postsecondary Scholarship Program, authorized at 20-26-601, MCA

- Improving Teacher Quality Program includes federal funding that supports continuing education and teaching skills development for K-12 public school teachers
- Community College Assistance directs state funding to support the cost of educating resident students at Montana's three community colleges
- MUS Group Health Insurance includes administration of self-insured group insurance plans for university system employees
- Talent Search Program includes two federal grant programs that provide academic support to targeted at-risk youth at the secondary school level to encourage post secondary education upon high school graduation, as well as the American Indian/Minority Achievement (AIMA) program
- Self-funded Workers Compensation Program provides workers compensation coverage for all MUS employment units and employees
- Workforce Development Program provides support for vocational and technical education, primarily with federal funding
- Appropriation Distribution is where the transfer of state funds to the university educational units and the research/public service agencies is recorded
- Tribal College Assistance directs funding assistance to support education costs of non-beneficiary Montana students (non-tribal members) attending the seven federal tribal community colleges
- Guaranteed Student Loan Program provides administration of and guarantor services for the federally funded student loan program for students attending post secondary schools in Montana
- Board of Regents Administration Program supports travel, per diem and other operational costs for the Regents

Since the 1995 legislative session, the legislature has combined the appropriation for the university educational units (all campuses of Montana State and the University of Montana) and most of OCHE into a single, lump-sum appropriation. Thus, the legislature determines the size of this budget, but the Regents make the ultimate funding allocations to the various educational units and campuses.

Specific line item appropriations continue for Community College Assistance, Tribal College Assistance, the research/public service agencies, and a few special programs.

## Agency Highlights

<b>Montana University System/Commissioner of Higher Education</b> <b>Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ Overall, the 2009 biennium legislative budget for the Montana University System, including pay plan, increases by \$90.8 million, a 21.0 percent increase over the 2007 biennium budget, including the following: <ul style="list-style-type: none"> <li>• General fund increases by \$49.1 million, a 15.6 percent increase over the 2007 biennium budget</li> <li>• Federal funding increases by \$32.4 million, a 35.2 percent increase over the 2007 biennium budget</li> <li>• State special revenue funding increases by \$9.1 million, a 31.4 percent increase over the 2007 biennium budget</li> </ul> </li> <li>◆ The legislative budget increases general fund and six mill levy funding by \$25.6 million for new proposals that support cost increases for the university educational units, as part of the College Affordability Plan (CAP), in an effort to cap university unit tuition rates at current levels through the 2009 biennium</li> <li>◆ The legislative budget increases general fund and six mill levy funding by \$6.5 million to support the following workforce development related programs: <ul style="list-style-type: none"> <li>• \$4.0 million one-time-only for new equipment and technology acquisition in high-demand occupational degree programs</li> <li>• \$1.5 million one-time-only for program development and workforce training in high-demand occupational fields</li> <li>• \$1.0 million one-time-only for new equipment acquisition for the five public service/research agencies</li> </ul> </li> <li>◆ The legislative budget increases student assistance \$4.0 million general fund in the 2009 biennium to expand the Governor's Postsecondary Scholarship Program</li> <li>◆ The 2009 biennium legislative budget, including pay plan funding, increases community college assistance by \$3.65 million general fund over the 2007 biennium, less the FY 2006 student enrollment general fund reversion</li> <li>◆ Tribal college assistance to support non-beneficiary (non-tribal member) Montana students is funded at \$1.9 million general fund in the 2009 biennium</li> <li>◆ The legislative budget provides \$1.5 million general fund in the 2009 biennium to support new initiatives in the transferability of student credits</li> <li>◆ The legislative budget increases federal authority by \$45.5 million including the following: <ul style="list-style-type: none"> <li>• \$4.1 million federal funding for the GEAR UP program that targets at-risk youth with program to access higher education</li> <li>• \$41 million federal funding to support projected increases in Guaranteed Student Loan activity</li> </ul> </li> </ul>

## Summary of Legislative Action

The primary driver of the funding levels and legislative action related to the university system budget is the College Affordability Plan (CAP), which is an agreement between the legislature and the Regents to "cap" resident student tuition rates at their current levels throughout the 2009 biennium, as long as specific state funding targets were met in the HB 2 budget. Those funding targets have been met as follows:

- HB 2 includes \$25.6 million general fund to support cost increases at the university unit campuses
- HB 13 (pay plan) includes an additional \$21.3 million general fund that will support personal service increases at unit campuses
- HB 63 and HB 131 (state employee pension legislation) together include more than \$2.0 million general fund that will support employee retirement changes in the university system

These funding targets are based upon a new policy to determine the state percent share of funding for cost increases at the university units as well as the pay plan and pension costs. Specifically, the 2009 biennium formula to determine the state percent share is based upon the ratio of Montana resident students as a percentage of total student enrollment at the university unit campuses. During the budget base year, FY 2006, resident students and the regional exchange students in the Western Undergraduate Exchange Program (WUE) comprise 84.7 percent of total student enrollment. Therefore, in all of these major budget and funding bills, the state percent share of funding that was applied to the university educational units was 84.7 percent.

This represents a significant policy change as historically the state percent share is calculated as the ratio of state funding as part of total revenue in the current unrestricted operating budgets for the university educational units. Under this historical formula, the base year FY 2006 state percent share that would be used in the 2009 biennium budget is 39.5 percent. The figure below illustrates the historic funding levels and the state percent share in the university system budget since 1998, including the projections for what that state percent share will be each year of the 2009 biennium with the HB 2 funding levels.

Figure 1  
Historical Funding and State Percent Share - Educational Units Only  
Montana University System  
Fiscal Years 1998 - 2009

Budgeted Revenue by Source	1998 Budgeted	1999 Budgeted	2000 Budgeted	2001 Budgeted	2002 Budgeted	2003 Budgeted	2004 Budgeted	2005 Budgeted	2006 Budgeted	2007 Budgeted	2008 Budgeted	2009 Budgeted	Annual Percent Change
General Fund	\$87,464,402	\$89,087,185	\$94,922,977	\$95,844,703	\$104,849,450	\$101,347,323	\$107,186,837	\$101,381,233	\$111,395,004	\$112,552,060	\$124,242,518	\$138,348,374	4.26%
Student Tuition	100,240,444	109,576,801	108,577,974	112,934,296	120,897,552	147,022,505	158,086,393	172,721,055	188,215,243	206,049,651	203,450,822	204,032,754	6.67%
Six-Mill Levy	13,864,000	14,319,118	14,809,000	15,280,000	11,868,912	12,036,912	12,235,000	12,362,999	13,385,001	13,679,000	17,565,323	16,369,436	1.52%
Other	2,448,861	3,134,954	2,313,795	2,504,907	3,002,673	2,970,384	5,946,357	6,355,565	2,558,151	2,007,205	2,136,468	2,136,468	-1.23%
Total	<u>\$204,017,707</u>	<u>\$216,118,058</u>	<u>\$220,623,746</u>	<u>\$226,563,906</u>	<u>\$240,618,587</u>	<u>\$263,377,124</u>	<u>\$283,454,587</u>	<u>\$292,820,852</u>	<u>\$315,553,399</u>	<u>\$334,287,916</u>	<u>\$347,395,131</u>	<u>\$360,887,032</u>	5.32%
Total State Support	101,328,402	103,406,303	109,731,977	111,124,703	116,718,362	113,384,235	119,421,837	113,744,232	124,780,005	126,231,060	141,807,841	154,717,810	3.92%
State Percent Share	<u>49.7%</u>	<u>47.8%</u>	<u>49.7%</u>	<u>49.0%</u>	<u>48.5%</u>	<u>43.1%</u>	<u>42.1%</u>	<u>38.8%</u>	<u>39.5%</u>	<u>37.8%</u>	<u>40.8%</u>	<u>42.9%</u>	-1.33%

Sources: BOR Operating Budgets (Summary of Funding) FY 1988 - 1995

OCHE Submission to Legislative Audit Division (Cost of Education Historical Summary) FY 1996-2006

2007 - Board of Regents 2007 Biennium Budget Plan (projected)

2009 Biennium - HB 2 Budget of the 2007 Special Session (MBARS and Executive Budget Tuition projections, Fiscal Notes for other statutory appropriations)

As this figure indicates, the impact of the HB 2 budget and the funding for the CAP is that the state percent share of funding for the university educational units will increase by 3 percent in FY 2008 and by 5 percent in FY 2009 above the FY 2007 operating budgets, bringing the state percent share to 42.9 percent at the end of the 2009 biennium. As a result of this funding level, the Board of Regents are expected to freeze resident student tuition rates at the FY 2007 levels through the 2009 biennium. For a more detailed discussion of tuition rates at the university unit campuses, see Program 09, Appropriation Distribution in this volume.

Another major legislative funding initiative in the 2009 biennium that addresses Montana resident students is the \$4.0 million general fund expansion of the Governor's Postsecondary Scholarship Program, bringing the total program funding level to \$5.0 million. The program provides scholarships of \$1,000 and \$2,000 to students based upon both merit as well as financial need-based criteria. In related legislation, SB 2 of the May 2007 special session amended this program, at 20-26-601, MCA to allow an expanded number of scholarship awards and to permit a larger share of the funding to be used for financial need-based awards. This program will be used to meet the federally required maintenance of effort match of state funds for the two federal student financial aid programs in the university system.

The legislature also renewed and expanded funding to support equipment and technology related acquisitions, primarily to support degree programs in high-demand occupations at both the university educational unit campuses and the community colleges. A total of \$5.5 million one-time-only funding was appropriated to the university system that must be allocated to campuses through a competitive grant process administered by OCHE with the advice of the State Workforce Investment Board (SWIB). The legislature included a matching fund requirement in order to leverage additional federal or private funding, so that campuses that include a funding match will receive additional consideration for equipment and program development funding.

Community colleges and tribal colleges also received increased funding in HB 2, as the community college appropriation totals \$17.6 million general fund and the tribal college appropriation totals \$1.9 million for the 2009 biennium.

Overall, for all funds, the legislature approved a HB 2 budget of \$500.6 million for the university system, including \$338.3 million general fund.

### **Agency Discussion**

Once again in the 2009 biennium, the HB 2 legislative budget has combined the budgets for most statewide programs administered by OCHE (except the community colleges and the tribal colleges) together with the university units into one lump-sum appropriation. The rationale for this legislative policy is to give the Board of Regents, which has sole constitutional authority over the university system, the flexibility to use state funding to accomplish Regents' policy and management objectives. In addition to the community college and tribal college assistance budgets, the budgets for the public service/research agencies are appropriated in discreet line-items in HB 2, outside of the lump-sum.

The impact of general fund and six-mill levy funding in the HB 2 legislative budget is illustrated in the figure below, which demonstrates the funding allocations across the major program functions of the MUS budget.

Figure 2 Montana University System - Impact of 2009 Biennium Legislative Budget Across Functional Areas General Fund and Six Mill Levy Revenue Only					
Budget Item	Actual FY 2006	Budgeted FY 2007	HB 2 FY 2008	HB 2 FY 2009	% Change 07-09 Bien.
<b>Education Services</b>					
University Educational Units	\$123,579,694	\$126,316,668	\$134,371,656	\$138,339,836	9.13%
Resident Student Enrollment	26,422	26,756	26,756	26,756	0.63%
State Funds/Student	\$4,677	\$4,721	\$5,022	\$5,170	8.45%
Community College Assistance**	\$6,823,254	\$8,553,518	\$8,732,146	\$8,840,361	14.28%
Resident Student Enrollment	2,216	2,770	2,411	2,411	-3.3%
State Funds/Student	\$3,079	\$3,088	\$3,622	\$3,667	18.2%
Tribal College Assistance	\$400,000	\$419,816	\$957,000	\$957,000	133.47%
Non-Beneficiary Students	298	298	298	298	0.00%
State Funds/Student	\$1,342	\$1,409	\$3,211	\$3,211	133.47%
Research/Public Service Agencies	\$20,049,133	\$21,111,542	\$21,007,071	\$21,116,699	2.3%
<b>Student Grants/Assistance</b>					
WICHE/WWAMI/MN Dental	\$4,794,116	5,239,984	\$5,197,136	\$5,382,581	5.44%
Number of Students	166	171	168	169	0.00%
State Funds/Student	\$28,880	\$30,643	\$30,935	\$31,850	5.48%
Gov's Postsecondary Scholarships	\$476,834	\$1,023,166	\$2,006,834	\$2,986,834	232.91%
Number of Students *	463	943	1,185	2,910	191.25%
State Funds/Student	\$1,030	\$1,085	\$1,694	\$1,026	28.61%
Baker Grants	\$2,018,775	\$2,034,869	\$2,018,775	\$2,018,775	-0.40%
Number of Students *	2,794	3,908	3,908	3,908	16.62%
State Funds/Student	\$723	\$521	\$517	\$517	-16.90%
State Work Study Program	\$862,489	\$862,989	\$862,989	\$862,989	0.03%
Number of Students *	815	815	811	811	-0.49%
State Funds/Student	\$1,058	\$1,059	\$1,064	\$1,064	0.52%
State Match to Federal Grants (MHEG & Perkins)	\$1,157,291	\$1,141,696	\$687,791	\$687,791	-40.17%
Number of Students *	3,363	3,363	3,363	3,363	0.00%
State Funds/Student	\$344	\$339	\$205	\$205	-40.17%
Teacher Loan Forgiveness Program	\$0	\$0	\$350,000	\$700,000	100%
<b>Administration/Special Programs</b>					
Board of Regents/OCHE	\$1,958,488	\$2,402,246	\$3,652,837	\$2,599,014	43.37%
Minority Achievement	\$82,685	\$82,192	\$72,848	\$72,881	-11.61%
Workforce Development	\$91,092	\$102,584	\$91,092	\$91,092	-5.93%
<b>Total General Fund &amp; Six Mill Levy</b>	<b>\$162,293,851</b>	<b>\$169,291,270</b>	<b>\$180,008,175</b>	<b>\$184,655,853</b>	<b>9.98%</b>
* Student projections for FY 2006 and FY 2007 use the same percentage growth used for present law adjustments					
** The figure for FY 2006 includes the general fund reversion for student enrollment shortfalls, required by 17-7-142, MCA.					
Sources: OCHE Operating Budget FY 2007 (Schedules 10 & 16, Schedule 3 for CC's, CHE102 for Tribal) and HB 2 2009 Biennium Legislative Budget [Figures for Community Colleges and Tribal Colleges include OTO funds]					
Figures for all years exclude Miscellaneous Sub-Programs at University Units					

As this figure demonstrates, the 2009 biennium legislative budget represents an overall general fund and six-mill levy increase of 10 percent over the 2007 biennium.

In addition to the most significant changes discussed above (community colleges, tribal colleges, Governor's Scholarship Program, and university units) the Board of Regents/OCHE administration program also received a biennial increase of 43.37 percent in HB 2. Most of this increase, \$1.5 million or 34 percent, can be attributed to the legislative initiative to address student data systems and the transferability of student credits as they move through university system campuses. Also, the apparent 11.6 percent decrease to the Minority Achievement program is merely a budget shift as the administrative support staff for that program was consolidated with the OCHE administration program to improve staff efficiency. There is no actual reduction of funding to support the American Indian Minority Achievement (AIMA) program.

*Continuing Fiscal Challenges*Accountability Measures Recommended by Postsecondary Education Policy and Budget Subcommittee (PEPB)

The primary interim project of the Postsecondary Education Policy and Budget Subcommittee (PEPB) in 2005-2006 was to identify the means and the mechanism to introduce accountability measures to the state budget for the university system in an effort to help bridge the divide between the Regents' governance and the legislature's appropriations authority. As a result, the PEPB made a recommendation to the 2007 Legislature proposing a series of specific accountability measures options that would be made operational through a companion bill to the state budget.

The Joint Appropriations Subcommittee on Education negotiated language with the MUS and agreed to the following three accountability measures provisions, which were placed in a subcommittee companion bill to the budget that members requested in a unanimous vote during the 2007 regular session:

- Credit transferability incentive associated with DP 1051 in the OCHE Administration program. This accountability measure created clear and measurable performance goals specific to creating faculty councils, creating transfer pathways for degree programs, increasing the number of credits that would be accepted for transfer by the university educational units, and reducing the number of student appeals of credit transfer decisions. Should these clear and measurable targets be met, what had been a one-time-only state appropriation would be subject to a legislative recommendation to make that funding ongoing, as an incentive reward for achieving these legislative budget goals.
- Distance learning incentive associated with DP 1052 in the OCHE Administration program. This accountability measure also created clear and measurable performance goals specific to increasing the number distance learning/online courses offered for credit by the university system, increasing the number of students enrolled in these courses, and increasing the number of distance education program options that serve workers in need of career training as well as employers in need of courses for specially skilled workers. Once again, the companion bill allowed that should these clear and measurable targets be met, what had been a one-time-only state appropriation would be subject to a legislative recommendation to make that funding ongoing, as an incentive reward for achieving these legislative budget goals for distance and online education.
- Student assistance financial aid and scholarship programs report associated with DP 2064 in the Student Assistance program. This accountability measure required the university system to submit a report to the legislature that would address legislative concerns about the growing complexity of financial aid and scholarship programs, concerns that these complexities are creating high administrative costs and may have gaps that leave certain student populations out of the mix for both merit and financial need-based aid.

During the 2007 regular session, the legislature included these accountability measures as part of the legislative budget for the university system, first in HB 807 and then in a budget companion bill SB 566. During the 2007 special session, accountability measures were not included as part of the budget nor was there a companion bill introduced to make the accountability measures operational.

Therefore, the 2009 biennium budget for the university system does not include legislative accountability measures or performance objectives that clarify shared policy goals related to university system funding and the recommendations of the interim PEPB.

**Funding**

The following table summarizes funding for the agency, by program and source, as adopted by the legislature. Funding for each program is discussed in detail in the individual program narratives that follow.



Total Agency Funding 2009 Biennium Budget						
Agency Program	General Fund	State Spec.	Fed Spec.	Proprietary	Grand Total	Total %
01 Administration Program	\$ 6,452,526	\$ -	\$ 556,163	\$ 204,829	\$ 7,213,518	1.37%
02 Student Assistance Program	23,825,395	200,000	465,830	-	24,491,225	4.63%
03 Improving Teacher Quality	-	-	780,000	-	780,000	0.15%
04 Community College Assistance	19,030,461	-	-	-	19,030,461	3.60%
06 Talent Search	147,837	-	9,032,749	-	9,180,586	1.74%
08 Work Force Development Pgm	183,365	-	12,643,124	-	12,826,489	2.43%
09 Appropriation Distribution	314,020,173	37,986,483	-	-	352,006,656	66.62%
11 Tribal College Assistance Pgm	1,914,000	-	-	-	1,914,000	0.36%
12 Guaranteed Student Loan Pgm	-	-	100,911,621	-	100,911,621	19.10%
13 Board Of Regents-Admin	63,602	-	-	-	63,602	0.01%
Grand Total	<u>365,637,359</u>	<u>38,186,483</u>	<u>124,389,487</u>	<u>204,829</u>	<u>528,418,158</u>	100.00%

### Other Legislation

In addition to the legislative budget in HB 2, the following legislation from the 2007 regular and special sessions also has a significant impact on the MUS:

**HB 13 of the 2007 regular session** – The legislature passed a pay plan in HB 13 that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. The legislature funded about 85 percent of the pay plan for the university educational units with general fund, totaling almost \$21.3 million, as part of the college affordability plan to freeze student tuition rates. This represents a significant public policy expansion as the 2007 biennium pay plan funded the university education units at approximately 43 percent state share level with general fund.

Figure 3 Montana University System HB 13 Pay Plan Allocations to University System Programs (General Fund Only) 2009 Biennium Budget			
MUS Program	FY 2008	FY 2009	Biennial Total
OCHE Administration Programs	\$121,267	\$188,765	\$310,032
Community Colleges	427,947	1,030,007	1,457,954
Research/Public Service Agencies	509,377	1,177,402	1,686,779
University Educational Units	<u>6,607,150</u>	<u>15,008,485</u>	<u>21,615,635</u>
Total	<u>\$7,665,741</u>	<u>\$17,404,659</u>	<u>\$25,070,400</u>

Overall, HB 13 provides just over \$25 million general fund to support the pay plan costs across the MUS. The figure above illustrates the general fund pay plan allocations for all MUS programs:

**HB 4 of the May 2007 special session** – The legislature approved a long-range building program during the May 2007 special session that includes \$77.3 million general fund to support capital building projects at the university educational units as well as the research/public service agencies. While the construction and renovation of these new projects has no direct affect on HB 2 expenditures for the university system, bringing new space online at the campuses will have an impact on the operations and maintenance costs in the future. Operations and maintenance costs supported with state funding are calculated as part of the present law adjustments formula adopted by the legislature, and these costs are only support with state funding for those buildings and portions of buildings that are used for academic purposes. Other university funds (e.g. private grants, federal funding, student fees, alumni/foundation support, auxiliary revenue, etc.) are used to fund operations and maintenance for non-academic buildings and uses.

The following figure illustrates the itemized appropriation of long-range building funds for the university system in the 2009 biennium:

**Figure 4**  
**Long Range Building Program - 2009 Biennium**  
**Montana University System (MUS)**  
**HB 4 of 2007 Special Session - Cash Projects**

Project	Long Range Building Program Funds	State Special Funds	Federal Special Funds	University Other Funds	Total
Code Compliance/Deferred Maintenance - MUS	\$3,600,000				\$3,600,000
Systems Improvements - MT Tech COT	925,000				925,000
Steam Distrib. System Upgrade (Phase 2) - UM Missoula	2,000,000			1,000,000	3,000,000
Renovate Clapp Building - UM Missoula	821,000				821,000
Renovate Armory Gym - MSU Northern	400,000			3,250,000	3,650,000
Renovate Main Hall - UM Western	4,500,000				4,500,000
Renovate McMullen Hall - MSU Billings	1,924,500				1,924,500
Stabilize Masonry - MSU Bozeman	2,600,000				2,600,000
Classroom/Laboratory Upgrades - MUS	2,000,000				2,000,000
Utility Infrastructure Improvements - MSU Bozeman	500,000			50,000	550,000
Supplement UM Helena COT Expansion	4,500,000			135,000	4,635,000
Supplement Great Falls COT Addition	3,000,000				3,000,000
Supplement Billings COT Expansion	2,217,000				2,217,000
COT Long-Range Planning - UM Missoula	500,000				500,000
Auto Tech Center Design - MSU Northern	800,000				800,000
Renovate Gaines Hall - MSU Bozeman	28,500,000				28,500,000
Law School Addition, UM Missoula	4,200,000			5,050,000	9,250,000
Augment Petroleum Building - MT Tech (Butte)	5,200,000				5,200,000
School of Journalism Building - UM Missoula	500,000				500,000
Incr. Authority - Museum of the Rockies - MSU Bozeman				3,500,000	3,500,000
School of Education Building - UM Missoula				7,500,000	7,500,000
New Parking Structure - UM Missoula				5,000,000	5,000,000
MSU - Ag. Experiment Station Research Centers	5,000,000			1,250,000	6,250,000
Animal Bioscience Facility - MSU Bozeman	3,570,000				3,570,000
General Spending Authority - MSU All Campuses				5,000,000	5,000,000
General Spending Authority - UM All Campuses				4,000,000	4,000,000
<b>Total</b>	<b>\$77,257,500</b>	<b>\$0</b>	<b>\$0</b>	<b>\$35,735,000</b>	<b>\$112,992,500</b>

SB 2 of the May 2007 special session – The legislature approved legislation in SB 2 to revise education laws that includes two components that affect the university system as follows:

- Expands the Governor’s Postsecondary Scholarship Program (20-26-601, MCA) by eliminating the specific, itemized scholarship allocations so that the number of scholarships will now be only limited by the appropriation level in HB 2. These changes will also reduce administrative procedures in an effort to decrease administrative costs of the program.
- Creates a Quality Educator Loan Assistance Program, administered by the Regents, with the objective of attracting public school teachers to underserved Montana school districts by providing state funding assistance to help those teachers pay outstanding student loans. The new program receives a \$1.05 million general fund appropriation in HB 2.

SB 12 of the 2007 regular session – The legislature approved revisions to the statutory funding formula that determines the state appropriation of general fund to Montana’s community colleges. SB 12 was requested by the Legislative Finance Committee as the result of an interim study requested by the 2005 Legislature. The formula revisions require that the “cost of education” component of the formula be based upon actual base-year operating budgets of the community colleges, and the revisions include a fixed and variable cost calculation. The state appropriation to the community colleges in HB 2 is based upon the new formula passed and approved in SB 12.

SB 16 of the 2007 regular session – The legislature approved a legislative referendum that will be placed on the November 2008 state general election ballot asking voters whether to re-authorize the statewide six-mill levy on real estate and personal property. Since the late 1940’s, the six-mill levy has been placed before the people of Montana every 10 years in a statewide referendum. Revenue from the levy represents about 10.8 percent of all state appropriations to the university system, averaging about \$13.8 million each year since 1988. The current mill levy, approved by voters in

1998, sunsets at the end of FY 2009. SB 16 places the referendum before voters so that if approved, the six-mill levy will continue for another 10 years beginning in FY 2010.

HB 116 of the 2007 regular session – The legislature approved revisions to the Resource Indemnity Trust (RIT) and the allocations of trust revenue to various state agencies, including two programs in the university system: the Bureau of Mines and Geology at Montana Tech in Butte (Bureau), and the MSU Northern water quality laboratory. As a result of the passage and approval of HB 116, the \$240,000 annual statutory appropriation of RIT funding to MSU Northern was eliminated. The legislature backfilled that funding reduction with a \$240,000 appropriation each year in the 2009 biennium HB 2 budget. HB 116 also allows additional RIT revenue to be appropriated to the Bureau to support groundwater programs, effectively lifting the funding cap that was in place. With this change, the legislature approved an additional \$279,724 appropriation of RIT revenue in HB 2 to the Bureau.

### Executive Budget Comparison

The following table compares the legislative budget in the 2009 biennium, including the HB 13 pay plan, to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2006	Executive Budget Fiscal 2008	Legislative Budget Fiscal 2008	Leg – Exec. Difference Fiscal 2008	Executive Budget Fiscal 2009	Legislative Budget Fiscal 2009	Leg – Exec. Difference Fiscal 2009	Biennium Difference Fiscal 08-09
FTE	100.06	104.06	104.06	0.00	104.06	104.06	0.00	
Personal Services	4,652,921	5,727,295	6,065,356	338,061	5,748,112	6,327,473	579,361	917,422
Operating Expenses	6,571,778	8,460,022	8,403,806	(56,216)	7,148,091	7,090,402	(57,689)	(113,905)
Equipment	18,742	243,742	243,742	0	243,742	243,742	0	0
Local Assistance	7,590,416	8,353,813	9,276,093	922,280	8,519,972	9,990,368	1,470,396	2,392,676
Grants	13,151,418	16,699,821	17,208,655	508,834	18,226,261	18,730,095	503,834	1,012,668
Benefits & Claims	21,967,240	40,667,240	40,667,240	0	43,767,240	43,767,240	0	0
Transfers	148,037,141	167,591,772	177,402,138	9,810,366	165,158,177	183,001,808	17,843,631	27,653,997
Debt Service	0	0	0	0	0	0	0	0
<b>Total Costs</b>	<b>\$201,989,656</b>	<b>\$247,743,705</b>	<b>\$259,267,030</b>	<b>\$11,523,325</b>	<b>\$248,811,595</b>	<b>\$269,151,128</b>	<b>\$20,339,533</b>	<b>\$31,862,858</b>
General Fund	149,076,830	168,396,490	177,837,004	9,440,514	168,260,499	187,800,355	19,539,856	28,980,370
State/Other Special	14,296,001	18,661,355	20,655,161	1,993,806	16,994,297	17,531,322	537,025	2,530,831
Federal Special	38,616,825	60,244,925	60,672,505	427,580	63,116,140	63,716,982	600,842	1,028,422
Proprietary	0	440,935	102,360	(338,575)	440,659	102,469	(338,190)	(676,765)
<b>Total Funds</b>	<b>\$201,989,656</b>	<b>\$247,743,705</b>	<b>\$259,267,030</b>	<b>\$11,523,325</b>	<b>\$248,811,595</b>	<b>\$269,151,128</b>	<b>\$20,339,533</b>	<b>\$31,862,858</b>

Excluding pay plan (HB 13) the 2009 biennium legislative budget in HB 2 for the Montana University System increases general fund by \$3.9 million compared to the executive budget. Overall, considering all revenue sources, HB 2 has increased the executive recommendation by almost \$4.1 million in the 2009 biennium budget.

The figure below illustrates the total funding difference for all revenue sources between the executive budget and HB 2, itemizing each decision package and the progression of the budget through the legislature, both the regular and the May 2007 special legislative sessions, reflecting actions that represent a change from the proposed executive budget. Note that the figure below reflects legislative action on the 2009 biennium budget that includes three contingency decisions, which are not adjusted in the final HB 2 budget line appearing in this figure, as indicated by the notes at the bottom.

Figure 5

**Montana University System 2009 Biennium Budget - Higher Education Budget Reconciliation**  
**HB 2 of 2007 Special Session - Total Funding - Includes All Revenue Sources**

As of January 1, 2007	Fiscal 2008	Fiscal 2009	2009 Biennium	Difference From Executive Budget
<u>Calculation of Executive Budget (Nov. 15, 2006):</u>				
FY06 Base	\$201,989,656	\$201,989,656	\$403,979,312	
Statewide Present Law Adjustments	2,098,845	2,078,790	4,177,635	
Other Present Law Adjustments	13,354,678	18,536,176	31,890,854	
Total Executive Present Law Budget	217,443,179	222,604,622	440,047,801	
New Proposals	30,300,526	26,206,973	56,507,499	
Total Executive Budget	\$247,743,705	\$248,811,595	\$496,555,300	\$0
<u>Executive Budget Revisions (Dec. 15, 2006):</u>				
Fund Community College legislative audit	24,192		24,192	
Dp 9999 - Replace General Fund with Six-Mill Revenue	(1,889,968)	(361,139)	(2,251,107)	
Total Revised Executive Budget	\$247,767,897	\$248,811,595	\$496,579,492	\$24,192
<u>Joint Education Appropriations Subcommittee Action:</u>				
DP 6015 State Motor Pool Rate Change (Global)	(574)	(593)	(1,167)	
DP 6010 (Prog 01) - Remove Non HB447 SWPLA	(192,709)	(200,874)	(393,583)	
DP 1055 - Indirect Cost Plan Revision	0	(1,454)	(1,454)	
Eliminate DP's 2002 & 2061 (Gov. Scholarships)	(1,528,166)	(2,513,166)	(4,041,332)	
DP 2064 - Governor's Postsecondary Scholarships	1,530,000	2,510,000	4,040,000	
DP 2063 - Teacher Loan Forgiveness (Contingent)*	(350,000)	(700,000)	(1,050,000)	
DP 4004 - Community College Legislative Audit	3,744	0	3,744	
DP 4111 - Community College Appropriation	16,396	(9,610)	6,786	
DP 6010 (Prog 08) - Remove Non HB447 SWPLA	(12,455)	(13,548)	(26,003)	
DP's 1-3 - Bureau of Mines and Geology (HB 116)	**	**	0	
Reduce DP 9053 - Equipment & Technology	(500,000)	0	(500,000)	
Reduce DP 9054 - Workforce Training Develop.	(100,000)	0	(100,000)	
Reduce DP 1102 - Tribal College Assistance	(50,000)	(50,000)	(100,000)	
Total Changes	(1,183,764)	(979,245)	(2,163,009)	
Total Proposed HB 820 Budget	\$246,584,133	\$247,832,350	\$494,416,483	(\$2,138,817)
<u>Senate Finance and Claims Committee (SFC) Action:</u>				
Eliminate DP 6010 - Non HB447 SWPLA (Progs 01 & 08)	205,164	214,422	419,586	
DP 4111 - Incr. Community Colleges State Share to 53%	768,447	629,702	1,398,149	
DP 66 - Increase State Percent Share for AES and ES	25,966	37,369	63,335	
DP 9888 - MSU Northern Science and Water Programs	240,000	240,000	480,000	
DP 9777 - MSU Bozeman PBS TV Satellite Delivery Syst.	400,000		400,000	
DP 9666 - Whitefish Lake Study by Yellow Bay	25,000	25,000	50,000	
DP 9555 - UM Missoula Speech Pathology Program	700,000		700,000	
DP 9444 - MT Tech Advanced Nursing Workforce Prog.	40,000	40,000	80,000	
DP 9054 - Workforce Training Development (Increase)	100,000		100,000	
DP 9053 - Equipment & Technology (Increase)	\$500,000		\$500,000	
DP 1102 - Tribal College Assistance (Increase)	50,000	50,000	100,000	
DP 1111 - Non-Beneficiary Tribal Coll. Assist. (HB 283 contingent)	\$507,200	\$507,200	\$1,014,400	
Total Changes	3,561,777	1,743,693	5,305,470	
SFC Total Proposed HB 820 Budget	\$250,145,910	\$249,576,043	\$499,721,953	\$3,166,653
<u>Senate Committee as a Whole Floor Action:</u>				
DP 9333 - Agriculture Experiment Station Additional	250,000	250,000	500,000	
DP 4111 - Reduce Comm. Colls. State Share to 48.5%/49.3%	(768,446)	(629,703)	(1,398,149)	
Total Changes	(\$518,446)	(\$379,703)	(\$898,149)	
Senate Total Proposed HB 820 Budget	\$249,627,464	\$249,196,340	\$498,823,804	\$2,268,504
<u>Executive Special Session Budget Proposal (Changes from Senate Version of HB 820) :</u>				
DP 9333 - Agriculture Experiment Station Additional (Eliminated)	(250,000)	(250,000)	(500,000)	
DP 1111 - Non-Beneficiary Tribal Coll. Assist. - Reduced - OTO	(200)	(200)	(400)	
DP 4110 - Community College Assistance - OTO	450,000	450,000	900,000	
Total Changes	\$199,800	\$199,800	\$399,600	
Total Executive Special Session Budget	\$249,827,264	\$249,396,140	\$499,223,404	\$2,668,104
<u>House Appropriations Committee Special Session Action :</u>				
DP 9333 - Agriculture Experiment Station Additional	250,000	250,000	500,000	
DP 1051 - Transferability of Student Credits (Reduced)	(400,000)		(400,000)	
Total Changes	(\$150,000)	\$250,000	\$100,000	
Total House Special Session Budget	\$249,677,264	\$249,646,140	\$499,323,404	\$2,768,104
<u>Senate Finance and Claims Committee Special Session Action :</u>				
DP 9333 - Agriculture Experiment Station Additional (Reduced)	(200,000)	(200,000)	(400,000)	
DP 1051 - Transferability of Student Credits (Restored)	400,000		400,000	
DP 9997 - Property Tax Reimbursement - HB 10 Contingent***	71,774	195,496	267,270	
Total Changes	\$271,774	(\$4,504)	\$267,270	
Total Senate Budget (Passed House) - Final HB 2 Budget	\$249,949,038	\$249,641,636	\$499,590,674	\$3,035,374
* DP 2063 contingent upon passage and approval of special session SB 2 (if SB 2 is passed, funding added to budget).				
** DP's 1-3 add \$103,838 in FY08 and \$175,886 in FY09 state special revenue from RIT funding, contingent upon HB 116.				
*** If HB 10 is not passed and approved, this funding will be removed from the budget.				

Significant differences between the executive and legislative budgets, as reflected in the figure above, include:

- A one-time-only increase of \$1.0 million general fund to support non-beneficiary students in the tribal college assistance program
- A one-time-only increase of \$900,000 general fund to support program development and capital investments at Montana's three community colleges
- A \$700,000 one-time-only general fund appropriation to support start-up costs for the speech pathology program at the University of Montana, Missoula campus
- A \$400,000 one-time-only general fund appropriation to support Montana PBS television satellite delivery system expansion
- An additional \$480,000 general fund appropriation to MSU Northern to support science and water programs, in order to backfill RIT funding that was eliminated by the passage and approval of HB 116

### **Language**

#### *Establish Biennial Lump Sum Appropriation*

HB 2 includes language that establishes a biennial lump sum appropriation by combining the appropriations for the following programs:

"Items designated as OCHE--Administration (01), Student Assistance Program (02), Improving Teacher Quality (03), Talent Search (06), Workforce Development (08), Appropriation Distribution Transfers (09) [excluding Agriculture Experiment Station, Extension Service, Forest and Conservation Experiment Station, Bureau of Mines and Geology, Bureau Ground Water Program, and Fire Services Training School], Guaranteed Student Loan (12), and Board of Regents (13) are a single biennial lump-sum appropriation."

#### *Appropriation of all Funds; Budget Transfers*

HB 2 includes language that addresses appropriation of all funds in the university system and the requirements for budget transfers.

"General fund money, state and federal special revenue, and proprietary fund revenue appropriated to the board of regents are included in all Montana university system programs (5100). All other public funds received by units of the Montana university system (other than plant funds appropriated in House Bill No. 5, relating to long-range building) are appropriated to the board of regents and may be expended under the provisions of 17-7-138(2). The board of regents shall allocate the appropriations to individual university system units, as defined in 17-7-102(13), according to board policy."

#### *Access to Banner Information System and Human Resource Data*

HB 2 includes language requiring the university system to provide the Office of Budget and Program Planning and the Legislative Fiscal Division access to the university system information system, Banner.

"The Montana university system, except the office of the commissioner of higher education and the community colleges, shall provide the office of budget and program planning and the legislative fiscal division banner access to the entire university system's banner information system, except for information pertaining to individual students or individual employees that is protected by Article II, sections 9 and 10, of the Montana constitution, 20-25-515, or the Family Educational Rights and Privacy Act of 1974, 20 U.S.C. 1232g. The Montana university system shall provide the electronic data required for human resource data for the current unrestricted operating funds into the MBARS system. The salary and benefit data provided must reflect approved board of regents operating budgets."

#### *Human Resource Data Required for MBARS Data System*

HB 2 includes language requiring the university system to enter human services data into the state budget and accounting systems, MBARS.

"The Montana university system shall provide the electronic data required for human resource data for the current unrestricted operating funds into the MBARS system. The salary and benefit data provided must reflect approved board of regents operating budgets."

### Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	17.90	1.00	3.50	22.40	1.00	3.50	22.40	22.40
Personal Services	1,576,675	(32,039)	504,587	2,049,223	(22,535)	572,646	2,126,786	4,176,009
Operating Expenses	487,330	75,280	1,252,166	1,814,776	48,048	214,869	750,247	2,565,023
Equipment	11,243	0	225,000	236,243	0	225,000	236,243	472,486
Grants	0	0	0	0	0	0	0	0
<b>Total Costs</b>	<b>\$2,075,248</b>	<b>\$43,241</b>	<b>\$1,981,753</b>	<b>\$4,100,242</b>	<b>\$25,513</b>	<b>\$1,012,515</b>	<b>\$3,113,276</b>	<b>\$7,213,518</b>
General Fund	1,854,234	43,322	1,822,244	3,719,800	25,597	852,895	2,732,726	6,452,526
Federal Special	221,014	(41)	57,109	278,082	(42)	57,109	278,081	556,163
Proprietary	0	(40)	102,400	102,360	(42)	102,511	102,469	204,829
<b>Total Funds</b>	<b>\$2,075,248</b>	<b>\$43,241</b>	<b>\$1,981,753</b>	<b>\$4,100,242</b>	<b>\$25,513</b>	<b>\$1,012,515</b>	<b>\$3,113,276</b>	<b>\$7,213,518</b>

### Program Description

The Office of the Commissioner of Higher Education (OCHE) Administration Program includes: 1) general administration of the university system; 2) academic, financial, and legal administration; 3) labor relations and personnel administration; and 4) student assistance administration. Article X, Section 9, of the Montana Constitution requires that the Board of Regents appoint the commissioner and prescribes his/her powers and duties.

### Program Highlights

OCHE Administration Program Major Budget Highlights	
♦	<p>The legislative budget includes:</p> <ul style="list-style-type: none"> <li>A \$1.5 million general fund increase to support a program intended to improve the transferability of student credits between the campuses of the university system; \$979,099 of this appropriation is one-time-only</li> <li>A \$900,000 general fund increase to continue funding for the coordination and expansion of the distance learning programs for the university system; \$450,000 of this appropriation is one-time-only</li> <li>In response to a legislative audit, an additional \$202,000 of proprietary funding is appropriated as part of an agency indirect cost recovery plan</li> <li>\$20,000 general fund for the 2009 biennium to support improved information technology network maintenance and security services for OCHE</li> </ul>

### Program Narrative

The legislature approved funding for two significant initiatives for the university system that will be coordinated across the system by OCHE staff. Those two initiatives include the following (for specific funding information, see DP's 1051 and 1052 below):

- Improving the transferability of student credits and student data systems. This initiative is related to the 2004 audit report from the Legislative Audit Division (LAD) that identified a series of problems that transfer students face in bringing academic credits from one MUS campus to another for credit toward a degree. The Regents have responded to the LAD audit with a series of policy changes to address the problems. This new proposal is

intended to address the remaining and most intransigent components of this issue, including building the requisite system-wide data system and creating the faculty structure needed to create transfer pathways while meeting academic accreditation requirements. The transferability initiative includes creation of 2.50 FTE to manage the program, which includes the following two goals:

- To improve transferability in the MUS, focusing on academic programs or course offerings that are available at several campuses and that have the most transfer students
- To develop a comprehensive, sophisticated database for the MUS that is integrated with other state agency data systems

The initiative also includes the following four measurable performance criteria for the 2009 biennium:

- Develop transfer pathways in 22 different academic program areas
  - Create a more sophisticated database that is integrated with the data systems of other state agencies, particularly the student education information data system being developed by the Office of Public Instruction
  - Increase the number of secondary education credits that are accepted for college credit in the MUS (e.g. dual credit, advanced placement, tech prep, etc.) by 25 percent
  - Align K-12 graduation standards and post-secondary proficiency standards in composition, mathematics and science
- Coordinating the enhancement and expansion of distance learning across the university system campuses. This initiative is a continuation of distance learning funding that has been approved as one-time-only in the prior two biennial budgets for the university system. The legislature approved \$450,000 of this funding as ongoing in the 2009 biennium. The distance learning initiative includes 1.0 FTE to manage the system-wide program for OCHE and includes the following measurable objectives for the 2009 biennium (negotiated and agreed to by the legislature and the Commissioner during the 2007 regular session):
- Increase by 20 percent, above the FY 2007 baseline, the number of students enrolled in distance learning education courses
  - Increase by 10 percent, above the FY 2007 baseline, the number of distance learning courses and programs that are offered, with a total of approximately 60 new courses and programs
  - Increase by 10 percent, above the FY 2007 baseline, the number of new credit and non-credit distance education programs that are intended to serve primarily workers in need of career training and employers in need of specially skilled workers, with a total of approximately 30 new courses

It should be noted that the measurable objectives above for each of these two initiatives were originally recommended by the interim Post Secondary Education Policy and Budget subcommittee (PEPB) to be used by the legislature in the 2009 biennium budget as formal budget reporting metrics through a budget companion bill. While the legislature did not include a PEPB companion bill as part of the HB 2 budget, these specific goals and objectives were agreed to by OCHE and the Joint Appropriations Subcommittee on Education.

## Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table						
Administration Program						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
<b>01000 Total General Fund</b>	<b>\$ 1,854,234</b>	<b>89.3%</b>	<b>\$ 3,719,800</b>	<b>90.7%</b>	<b>\$ 2,732,726</b>	<b>87.8%</b>
01100 General Fund	1,854,234	89.3%	3,719,800	90.7%	2,732,726	87.8%
<b>03000 Total Federal Special Funds</b>	<b>221,014</b>	<b>10.7%</b>	<b>278,082</b>	<b>6.8%</b>	<b>278,081</b>	<b>8.9%</b>
03080 Che Indirect Cost Recovery	221,014	10.7%	278,082	6.8%	278,081	8.9%
<b>06000 Total Proprietary Funds</b>	<b>-</b>	<b>-</b>	<b>102,360</b>	<b>2.5%</b>	<b>102,469</b>	<b>3.3%</b>
06539 Indirect Costs - Oche	-	-	102,360	2.5%	102,469	3.3%
<b>Grand Total</b>	<b>\$ 2,075,248</b>	<b>100.0%</b>	<b>\$ 4,100,242</b>	<b>100.0%</b>	<b>\$ 3,113,276</b>	<b>100.0%</b>

Funding for this program is primarily general fund. However, some federal revenue supports administrative overhead for federal grant programs administered by other OCHE programs (e.g. Talent Search, GEAR UP, and Perkins). In the 2009 biennium, HB 2 has authorized OCHE to implement an indirect cost recovery procedure. Under this new process, some federal funding and general fund will be replaced with proprietary revenue, representing the administrative costs charged to federal grant awards and general fund programs for OCHE administrative support services.

### Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2008-----					-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				(2,937)					6,954
Vacancy Savings				(62,950)					(63,347)
Inflation/Deflation				2,369					2,758
Fixed Costs				29,677					(9,004)
<b>Total Statewide Present Law Adjustments</b>				<b>(\$33,841)</b>					<b>(\$62,639)</b>
DP 1000 - Moving Expenses (Restricted/OTO)									
0.00	30,000	0	0	30,000	0.00	0	0	0	0
DP 1002 - Rent Increase (Restricted)									
0.00	13,356	0	0	13,356	0.00	54,420	0	0	54,420
DP 1020 - Move 1 FTE from Minority Achievement to Administ.									
1.00	33,848	0	0	33,848	1.00	33,858	0	0	33,858
DP 6015 - State Motor Pool Rate Change									
0.00	(41)	0	(41)	(122)*	0.00	(42)	0	(42)	(126)*
<b>Total Other Present Law Adjustments</b>									
<b>1.00</b>	<b>\$77,163</b>	<b>\$0</b>	<b>(\$41)</b>	<b>\$77,082*</b>	<b>1.00</b>	<b>\$88,236</b>	<b>\$0</b>	<b>(\$42)</b>	<b>\$88,152*</b>
<b>Grand Total All Present Law Adjustments</b>				<b>\$43,241*</b>					<b>\$25,513*</b>

DP 1000 - Moving Expenses (Restricted/OTO) - The legislature approved a restricted \$30,000 one-time-only general fund increase for moving expenses to support the anticipated relocation of the OCHE office during FY 2008.

DP 1002 - Rent Increase (Restricted) - The legislature approved a restricted \$67,776 general fund appropriation for projected rent increases that are expected to result from the planned move of OCHE during FY 2008.

DP 1020 - Move 1 FTE from Minority Achievement to Administ. - The legislature approved moving \$67,706 general fund from the Talent Search program to the OCHE administration program, as well as a 1.00 FTE administrative support staff position to support improving staff efficiency.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.



## New Proposals

New Proposals										
-----Fiscal 2008-----						-----Fiscal 2009-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1051 - Improve Transferability and Student Data OTO										
01	2.50	1,291,099	0	0	1,291,099	2.50	253,901	0	0	253,901
DP 1052 - Coordinate and Enhance Distance Learning - OTO										
01	1.00	450,000	0	0	450,000	1.00	450,000	0	0	450,000
DP 1054 - Improve OCHE IT Network and Security										
01	0.00	10,000	0	0	10,000	0.00	10,000	0	0	10,000
DP 1055 - Indirect Cost Recovery Plan for OCHE Admininist.										
01	0.00	(58,519)	0	57,109	99,775*	0.00	(58,519)	0	57,109	99,775*
DP 6013 - 2009 Biennium Pay Plan - HB 13										
01	0.00	121,267	0	0	121,267	0.00	188,765	0	0	188,765
DP 6014 - Retirement Employer Contributions - HB 131 & HB 63										
01	0.00	8,397	0	0	9,612*	0.00	8,748	0	0	10,074*
<b>Total</b>	<b>3.50</b>	<b>\$1,822,244</b>	<b>\$0</b>	<b>\$57,109</b>	<b>\$1,981,753*</b>	<b>3.50</b>	<b>\$852,895</b>	<b>\$0</b>	<b>\$57,109</b>	<b>\$1,012,515*</b>

DP 1051 - Improve Transferability and Student Data OTO - The legislature approved increasing general fund by \$1.5 million (\$979,099 is one-time-only) for the 2009 biennium to fund a comprehensive, system-wide program to improve the transferability of student coursework between the campuses of the university system. This proposal includes an additional 2.50 FTE, as well as approximately \$70,000 over the biennium to specifically support enhancements to dual enrollment programs as part of the student transferability initiative.

DP 1052 - Coordinate and Enhance Distance Learning - OTO - The legislature approved \$900,000 general fund to restore one-time-only funding to support the coordination and expansion of distance learning/online educational programs for the university system. Of this appropriation, \$450,000 in the 2009 biennium is one-time-only, while the remaining \$450,000 is ongoing and includes funding for 1.00 FTE.

DP 1054 - Improve OCHE IT Network and Security - The legislature approved \$20,000 general fund for the 2009 biennium to fund information technology network maintenance and security services for OCHE, specifically for development of a network security plan and program that would be compatible with the state information technology infrastructure.

DP 1055 - Indirect Cost Recovery Plan for OCHE Admininist. - The legislature approved an indirect cost recovery plan for the administration of OCHE for the 2009 biennium that would reduce general fund by \$58,519 each year of the biennium by requiring that federal grant programs, state special revenue programs, and proprietary fund programs would provide funding for the centralized services administrative functions in OCHE. This appropriation includes funding for an interim report to be submitted to the appropriate interim legislative committee that addresses the status of the indirect cost recovery plan and includes a recommendation for funding that plan in the subsequent biennium.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 & HB 63 - The legislature adopted HB 131 and HB 63, which increase the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

**Language**

This bill includes language that requires a report from OCHE on the indirect cost plan that is proposed as part of OCHE Administration. This plan is intended so that the new indirect cost program would need to be reviewed in detail by legislative staff prior to the subsequent biennial budget.

The Governor subsequently vetoed this language.

“Item OCHE – Administration (01) includes an appropriation for a new, indirect cost-recovery plan that includes funding for a report from the commissioner of higher education, by August 2008, to the education and local government interim committee on the status and funding for the indirect cost-recovery plan that includes a recommendation for funding that plan in the 2011 biennium.”

**Program Legislative Budget**

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	0.00	0.00	1.50	1.50	0.00	1.50	1.50	1.50
Personal Services	46,662	(15,762)	84,605	115,505	(14,662)	84,628	116,628	232,133
Operating Expenses	338	0	38,877	39,215	0	38,859	39,197	78,412
Local Assistance	108,000	8,000	0	116,000	12,000	0	120,000	236,000
Grants	9,073,420	287,020	1,856,180	11,216,620	468,465	3,186,175	12,728,060	23,944,680
<b>Total Costs</b>	<b>\$9,228,420</b>	<b>\$279,258</b>	<b>\$1,979,662</b>	<b>\$11,487,340</b>	<b>\$465,803</b>	<b>\$3,309,662</b>	<b>\$13,003,885</b>	<b>\$24,491,225</b>
General Fund	8,970,505	303,920	1,880,000	11,154,425	490,465	3,210,000	12,670,970	23,825,395
State/Other Special	25,000	(24,662)	99,662	100,000	(24,662)	99,662	100,000	200,000
Federal Special	232,915	0	0	232,915	0	0	232,915	465,830
<b>Total Funds</b>	<b>\$9,228,420</b>	<b>\$279,258</b>	<b>\$1,979,662</b>	<b>\$11,487,340</b>	<b>\$465,803</b>	<b>\$3,309,662</b>	<b>\$13,003,885</b>	<b>\$24,491,225</b>

**Program Description**

There are two distinct components to the Student Assistance Program (governed by Title 20, Chapters 25 and 26, MCA):

The student financial aid grant, loan, and work-study programs consist of financial need-based criteria for student awards as well as the merit-based component of the Governor's Postsecondary Scholarship Program, as follows:

- The federal Leveraging Educational Assistance Partnership (LEAP) grant is matched by the state Baker grant program
- The federal Supplemental Leveraging Educational Assistance Partnership (SLEAP) grant is matched by the Montana Higher Education Grant (MHEG) Program as well as the financial need-based component of the Governor's Postsecondary Scholarship Program
- The federal Supplemental Educational Opportunity Grant (SEOG) grant program sends funds directly to MUS campuses and is matched by state general fund
- The Perkins Federal Loan Program sends funds directly to MUS campuses and is matched by state general fund
- The Work Study Program is funded 70 percent from general fund with a 30 percent employer match
- The Governor's Postsecondary Scholarship Program has both a need-based and merit component that are both supported entirely by general fund (20-26-601, MCA)

The interstate student exchange and assistance programs have no financial need-based criteria for participants, and are entirely general fund programs that include:

- The Western Undergraduate Exchange/Western Regional Graduate Program allows students from 14 participating states to enroll in designated postsecondary schools and pay reduced tuition rates that are less than the non-resident rate. These programs are part of the MUS membership agreement with the Western Interstate Commission for Higher Education (WICHE)
- The WICHE Professional Student Exchange Program enables Montana students to enroll in 8 professional graduate studies programs not offered at MUS institutions in 13 participating states, at reduced tuition rates, as Montana pays negotiated support fees to subsidize students who pay the reduced tuition
- The Washington, Wyoming, Alaska, Montana, and Idaho Cooperative Program (WWAMI) enables Montana students to attend the University of Washington School of Medicine at a reduced tuition rate as Montana pays a negotiated support fee to subsidize students
- The Minnesota Dental Program enables Montana students to attend the University of Minnesota Dental School at a reduced tuition rate as Montana pays a negotiated support fee to subsidize students

### Program Highlights

Student Assistance Program Major Budget Highlights	
◆	The HB 2 legislative budget includes three significant general fund increases in the 2009 biennium as follows: <ul style="list-style-type: none"> <li>• \$4.04 million to fund additional scholarship awards in the Governor's Postsecondary Scholarship program, authorized by 20-26-601, MCA</li> <li>• \$1.05 million to fund a new quality educator loan forgiveness program</li> <li>• \$775,000 to fund cost increases to the student support fees for the WICHE/WWAMI/MN Dental professional student program</li> </ul>
◆	The HB 2 legislative budget also increases state special revenue \$200,000 and 1.00 FTE in the 2009 biennium to support program expansion for the Family Education Savings Program

### Program Narrative

The Student Assistance Program attracted legislative attention in the 2007 regular and special sessions as a primary means to address public policy concerns about access to and affordability of higher education for Montana students. Therefore, the primary fiscal driver of this program in the HB 2 legislative budget is the expansion of student scholarships, in particular the Governor's Postsecondary Scholarship Program.

The figure below illustrates the funding levels for each of these student assistance grant programs for the 2007 biennium and the HB 2 funding levels approved by the legislature for the 2009 biennium.

Figure 6 Student Assistance - State/Federal Grant and Work Study Programs Fiscal 2006 through 2009					
Grant Program	Actual FY 2006	Op Plan FY 2007	HB 2 FY 2008	HB 2 FY 2009	Biennial % Change
<b>Grants Funded with State Funds:</b>					
Baker Grants	\$2,018,775	\$2,034,869	\$2,018,775	\$2,018,775	-0.4%
MT Higher Education Grant (MHEG)**	491,913	494,627	21,913	21,913	-95.6%
SEOG *	516,005	497,196	516,005	516,005	1.9%
Perkins Loan *	149,873	149,873	149,873	149,873	0.0%
State Work Study	862,989	862,989	862,989	862,989	0.0%
Governor's Postsecondary Scholarships	<u>476,834</u>	<u>1,023,166</u>	<u>2,006,834</u>	<u>2,986,834</u>	232.9%
Subtotal State Funds	<u>\$4,516,388</u>	<u>\$5,062,720</u>	<u>\$5,576,389</u>	<u>\$6,556,389</u>	26.7%
<b>Grants Funded with Federal Matching Funds:</b>					
SLEAP Grant Program (Baker Match)	143,694	139,566	\$143,694	\$143,694	
LEAP Grant Program (MHEG Match)	<u>89,221</u>	<u>82,944</u>	<u>\$89,221</u>	<u>\$89,221</u>	
Subtotal Federal Funds	<u>\$232,915</u>	<u>\$222,510</u>	<u>\$232,915</u>	<u>\$232,915</u>	2.3%
<b>General Fund Administrative Costs:</b>					
Program Administrative Costs	\$0	\$0	\$30,900	\$32,000	100.0%
Total Funds	<u>\$4,749,303</u>	<u>\$5,285,230</u>	<u>\$5,840,204</u>	<u>\$6,821,304</u>	26.2%
* Represents the state match. The federal matching funds are distributed directly to university campuses.					
** Includes \$470,000 one-time-only MHEG appropriation in FY2006-2007...but not restored in FY 2008 & FY 2009					

Overall, the legislature increased student assistance financial aid programs by 26.2 percent in HB 2 for the 2009 biennium. The largest increase is in the funding for the Governor's Postsecondary Scholarship Program, which was increased by \$4.04 million or 233 percent. In order to authorize this expansion, the legislature approved SB 2 of the 2007 special session that revises the statutory authorization of scholarship awards in this program at 20-26-601, MCA.

For more detail on SB 2, see the **Other Legislation** section below.

The legislature also approved \$62,900 general fund to support increased administrative costs to manage the numerous student assistance financial aid programs. In approving these programs the legislature expressed concern about the complexity of these numerous programs and at one point requested a plan from the Commissioner of Higher Education that would address these concerns. For more detail on this, see the *Continuing Fiscal Challenges* section below.

Finally, the figure above also illustrates the 2009 biennium funding reduction to the MHEG program, an amount that is approximately \$470,000 general fund each fiscal year. The FY 2006 base year expenditures included a one-time-only appropriation of \$470,000 and this OTO amount was removed from the base.

Although the legislature increased the biennial funding level for the WICHE/WWAMI/MN Dental professional student exchange program by \$775,000 in the 2009 biennium, there are no additional student slots funded as this cost increase is driven solely by continued increases in the tuition rates at the out-of-state medical and dental schools that participate.

The state support fees that the legislature authorizes as part of the HB 2 appropriation (see the figure under present law DP 2001 below), which are based upon the tuition rates at participating schools, are negotiated by an interstate council upon which Montana is represented by the Commissioner of Higher Education and members of the legislature. Once these support fees are negotiated and agreed upon by this council, the only cost control measure that is available to the legislature in this program is the decision about the number of student slots to support with general fund.

Given the uncertainty of budgeting for this program, as students will occasionally drop-out of the program before completing the degree, in prior biennial budgets the WICHE/WWAMI/MN Dental program has been over-appropriated and this unexpended "surplus" general fund has been used at the discretion of OCHE. Starting in the 2007 biennium and continued in HB 2 for the 2009 biennium, the legislature has restricted this general fund appropriation so that any unexpended funds may only be used to support other student financial assistance programs and may not be used for administrative functions.

#### *Continuing Fiscal Challenges*

In 2006 the WWAMI program at the University of Washington medical school offered to expand the number of student slots set aside for Montana students by up to 10 additional slots per year. Montana has had 20 student slots per year since 1975. The Workforce Development Committee for the Regents made a recommendation that Montana consider accepting this opportunity for additional WWAMI slots, based upon their report that concluded, "Montana faces a severe shortage of allied health professionals, due to increased demand, an aging workforce, and an aging society."

Although the legislature did not fund additional slots in WWAMI or for associated dental programs (including the Regional Initiatives in Dental Education [RIDE] proposal that was recommended by an earlier interim legislative study), concern about the shortage of healthcare professionals, including dentists, resulted in the passage and approval of HJR 22. This legislation requests an interim legislative study that will consider "repayment programs and other incentive programs to support access to dental care in the state, with emphasis on rural care."

It is expected that this interim study will be assigned to the interim Postsecondary Education Policy and Budget subcommittee (PEPB), a subcommittee of the interim Education and Local Government committee.

The legislature also expressed concern about the number of student financial aid and scholarship programs, including the complexity of these programs that have proliferated to the point that the 2009 biennium includes, for the first time, an additional general fund appropriation of \$62,900 (see DP 2053) to support administrative costs for student assistance. While the interim PEPB recommended and the Joint Appropriations Subcommittee on Education unanimously supported a request for a report from OCHE to address these concerns, that report request did not make it into the final HB 2 budget that was passed and approved.

The complexities and associated costs for these myriad student financial aid programs remain, however.

## Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Student Assistance Progr						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
<b>01000 Total General Fund</b>	<b>\$ 8,970,505</b>	<b>97.2%</b>	<b>\$ 11,154,425</b>	<b>97.1%</b>	<b>\$ 12,670,970</b>	<b>97.4%</b>
01100 General Fund	8,970,505	97.2%	11,154,425	97.1%	12,670,970	97.4%
<b>02000 Total State Special Funds</b>	<b>25,000</b>	<b>0.3%</b>	<b>100,000</b>	<b>0.9%</b>	<b>100,000</b>	<b>0.8%</b>
02846 Family Ed Savings Admin Fee	25,000	0.3%	100,000	0.9%	100,000	0.8%
<b>03000 Total Federal Special Funds</b>	<b>232,915</b>	<b>2.5%</b>	<b>232,915</b>	<b>2.0%</b>	<b>232,915</b>	<b>1.8%</b>
03164 State Student Incentive Grant	232,915	2.5%	232,915	2.0%	232,915	1.8%
<b>Grand Total</b>	<b>\$ 9,228,420</b>	<b>100.0%</b>	<b>\$ 11,487,340</b>	<b>100.0%</b>	<b>\$ 13,003,885</b>	<b>100.0%</b>

The Student Assistance Program is primarily general fund, with additional federal matching funds, as well as some state special revenue to administer the college savings programs.

Federal funds are granted to the states as an incentive and are required to be matched by state general fund dollars. In both the federal LEAP and SLEAP grants, state general fund appropriations (the MHEG and Baker programs) have historically far exceeded the match requirement, as federal appropriations have not kept pace with state appropriations for these two programs. In HB 2 for the 2009 biennium, the legislature reduced the MHEG appropriation to a level below the required federal match, leading to concerns that federal student aid funding would be reduced. The legislature, however, also approved revisions to the Governor's Postsecondary Scholarship program that will expand funding for financial need-based aid, so that this program will also provide a portion of the required state funding match and no federal funding reduction is anticipated.

## Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2008-----					-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				(46,662)					(46,662)
<b>Total Statewide Present Law Adjustments</b>				<b>(\$46,662)</b>					<b>(\$46,662)</b>
DP 2001 - WWAMI/WICHE/MN Dental									
0.00	295,020	0	0	295,020	0.00	480,465	0	0	480,465
DP 2053 - Reimb. GSL for Services Related to Student Assist.									
0.00	30,900	0	0	30,900	0.00	32,000	0	0	32,000
<b>Total Other Present Law Adjustments</b>									
0.00	<b>\$325,920</b>	<b>\$0</b>	<b>\$0</b>	<b>\$325,920</b>	0.00	<b>\$512,465</b>	<b>\$0</b>	<b>\$0</b>	<b>\$512,465</b>
<b>Grand Total All Present Law Adjustments</b>				<b>\$279,258</b>					<b>\$465,803</b>

DP 2001 - WWAMI/WICHE/MN Dental - The legislature approved a general fund increase of \$775,485 in the 2009 biennium to fund both first-year and continuing student slots at the projected tuition levels for the WICHE/WWAMI/MN Dental professional student exchange programs, which are entirely general fund programs.

The figure below illustrates the total funding level for the WICHE/WWAMI/MN Dental program, including the present law adjustments for the 2009 biennium budget.

Figure 7  
2009 Biennium Legislative Budget  
WICHE/WWAMI/Minnesota Dental Programs  
Administered by the Office/Commissioner of Higher Education

PROGRAM	Fiscal Year 2008						Fiscal Year 2009						
	Support Fee	New (1st Year)		Continuing		Total	Support Fee	New (1st Year)		Continuing		Total	
		Students	Cost	Students	Cost			Students	Cost	Students	Cost		
WICHE													
Administrative Dues			\$116,000			\$116,000			\$120,000			\$120,000	
Student Assistance:													
Medicine	\$26,500	6	\$159,000	18	\$477,000	\$636,000	\$27,400	6	\$164,400	18	\$493,200	\$657,600	
Osteopathic Medicine	17,600	2	35,200	4	70,400	105,600	18,200	1	18,200	6	109,200	127,400	
Dentistry	20,600	1	20,600	3	61,800	82,400	21,300	1	21,300	3	63,900	85,200	
Veterinary Medicine	26,300	9	236,700	27	710,100	946,800	27,200	9	244,800	27	734,400	979,200	
Podiatry	12,300	1	12,300	1	12,300	24,600	12,700	0	0	2	25,400	25,400	
Optometry	14,100	1	14,100	3	42,300	56,400	14,600	1	14,600	3	43,800	58,400	
Occupational Therapy	10,700	1	10,700	1	17,833	28,533	11,100	1	11,100	1	18,500	29,600	
(Includes 1 @ clinical rate \$17,833 for FY 08 and \$18,500 for FY 09)													
Public Health	6,700	1	6,700	1	4,467	11,167	6,900	1	6,900	1	6,900	13,800	
(Includes 1 extended degree @ \$4,467 for FY 08)													
Subtotal (WICHE Student Support)		22	\$495,300	58	\$1,396,200	\$1,891,500		20	\$481,300	61	\$1,495,300	\$1,976,600	
TOTAL WICHE (Including Dues)						\$2,007,500						\$2,096,600	
MINNESOTA DENTAL	20,600	2	41,200	6	123,600	164,800	21,300	2	42,600	6	127,800	170,400	
WWAMI	50,414	20	0	60	3,024,836	3,024,836	51,926	20	0	60	3,115,581	3,115,581	
TOTAL WICHE/WWAMI/MN		44	\$652,500	124	\$4,544,636	\$5,197,136		42	\$643,900	127	\$4,738,681	\$5,382,581	
Present Law Adjustment Increase						\$295,020	Present Law Adjustment Increase						\$480,465

Notes:

- 1) Rates for all continuing occupational therapy students are calculated at 1 2/3 the annual support fee to include support for two clinical rotations. (\$17,833 for FY 2008; \$18,500 for FY 2009)
- 2) The WWAMI support fee is calculated as an average per continuing student. Actual support varies by program year.

DP 2053 - Reimb. GSL for Services Related to Student Assist. - The legislature approved \$62,900 general fund for the 2009 biennium to provide a personal services cost reimbursement to the Guaranteed Student Loan Program (GSL), where administrative support is provided for a number of student assistance programs, including the High School Honors Fee Waiver, the Governor's Postsecondary Scholarship Program, the Montana Higher Education Grant, the Baker Grant, and other programs.

### New Proposals

New Proposals										
Program	FTE	Fiscal 2008				FTE	Fiscal 2009			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 2060 - MT Family Ed Savings Prg Growth										
02	1.00	0	99,662	0	99,662	1.00	0	99,662	0	99,662
DP 2063 - Quality Educator Loan Forgiveness Program										
02	0.50	350,000	0	0	350,000	0.50	700,000	0	0	700,000
DP 2064 - Governor's Postsecondary Scholarship Program										
02	0.00	1,530,000	0	0	1,530,000	0.00	2,510,000	0	0	2,510,000
<b>Total</b>	<b>1.50</b>	<b>\$1,880,000</b>	<b>\$99,662</b>	<b>\$0</b>	<b>\$1,979,662*</b>	<b>1.50</b>	<b>\$3,210,000</b>	<b>\$99,662</b>	<b>\$0</b>	<b>\$3,309,662*</b>

DP 2060 - MT Family Ed Savings Prg Growth - The legislature approved \$200,000 state special revenue funding in the 2009 biennium for the administration of the Montana Family Education Savings Program, which includes transferring 1.00 FTE from the GSL program for this function. The state special revenue funding comes from program fees paid by participants in the savings plan program. The savings plan has in excess of \$150 million in total assets.

DP 2063 - Quality Educator Loan Forgiveness Program - The legislature approved a general fund increase of \$1.05 million, as well as 0.50 FTE, in the 2009 biennium to create a quality educator loan forgiveness program that will support teachers serving in critical shortage areas of the state, as defined by subject area or geography by the Board of Public Education and the Office of Public Instruction. This appropriation was approved contingent upon the passage and approval of legislation that would create a quality educator loan forgiveness program. That program was passed and approved in SB 2 of the 2007 special session.

DP 2064 - Governor's Postsecondary Scholarship Program - The legislature approved a general fund appropriation of \$4.04 million in the 2009 biennium, including \$1.53 million in FY 2008 and \$2.51 million in FY 2009, to support increases for the Governor's Postsecondary Scholarship Program, authorized at 20-26-601, MCA.

### Other Legislation

SB 2 of the 2007 special session - The legislature approved legislation in SB 2 to revise education laws that includes two components that affect the student assistance program as follows:

- Expands and revises the Governor's Postsecondary Scholarship Program (20-26-601, MCA) by eliminating the specific, itemized scholarship allocations so that the number of scholarships will now be only limited by the appropriation level in HB 2. These changes are also intended to reduce administrative procedures in an effort to decrease administrative costs of the program. The figure below illustrates the original, pre-SB 2 statutory allocations of scholarship awards from 20-26-612, MCA. Note that the old statutory formula capped the annual awards at \$2.6 million, while the new HB 2 appropriation, under the changed program, is \$3.0 million in FY 09.



Figure 8							
Governor's Postsecondary Scholarship Program Scholarship Program (20-26-601, MCA)							
Statutory Scholarship Allocations <b>Prior to SB 2</b> Special Session Revisions ( <b>SB 2 Repealed 20-26-612, MCA</b> )							
Merit Based Component - Includes 4-year and 2-year Degree Programs							
MCA Section 20-26-612	Statutory Award Category	Number of Awards	Amount Per Award	First Biennium		Second Biennium	
				Year One Total	Year Two Total	Year Three Total	Year Four Total
(2)(a)	4-Year Degree Program - At Large	40	\$2,000	\$80,000	\$160,000	\$240,000	\$320,000
(2)(b)	4-Year Degree Program - Each High School	185	1,000	185,000	370,000	555,000	740,000
(2)(c)	2-Year Degree Program - Each High School	185	1,000	185,000	370,000	370,000	370,000
(2)(d)	2-Year Degree Program - At Large	70	1,000	70,000	140,000	140,000	140,000
	Total	480		\$520,000	\$1,040,000	\$1,305,000	\$1,570,000
Need Based Component - Includes 2-year Degree Programs Only							
MCA Section 20-26-612	Statutory Award Category	Number of Awards	Amount Per Award	First Biennium		Second Biennium	
				Year One Total	Year Two Total	Year Three Total	Year Four Total
(2)(e)	At Large Students (including Non-traditional)	180	\$1,000	\$180,000	\$360,000	\$360,000	\$360,000
(2)(f)	Health Sciences Degree Programs	100	1,000	100,000	200,000	200,000	200,000
(2)(g)	Technology Degree Programs	220	1,000	220,000	440,000	440,000	440,000
	Total	500		\$500,000	\$1,000,000	\$1,000,000	\$1,000,000
Full Funding Level Authorized by Statute (20-26-601, MCA)				\$1,020,000	\$2,040,000	\$2,305,000	\$2,570,000

Under SB 2, these itemized allocations are repealed and the only allocation requirements in the statutory program are that at least one merit scholarship must be allocated to a graduate of each Montana high school each year, and that the scholarship allocation split between merit and need-based must be approximately equally funded. It is anticipated that these revisions will also reduce the cost to administer and manage this scholarship program.

- Creates a Quality Educator Loan Assistance Program, administered by the Regents, with the objective of attracting public school teachers to underserved Montana school districts by providing state funding assistance to help those teachers pay outstanding student loans. The new program receives a \$1.05 million general fund appropriation in HB 2. A qualifying quality educator will be eligible for loan assistance for a maximum of four years and the annual maximum repayment amount is \$3,000.

### Language

HB 2 includes the following language to restrict the appropriation for the WICHE/WWAMI/MN Dental program:

“WICHE/WWAMI/MN Dental Program is restricted so that any surplus funding may be transferred only to other student financial aid programs in Program 02.”

### Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Personal Services	12,686	(12,686)	0	0	(12,686)	0	0	0
Operating Expenses	5,056	1	0	5,057	1	0	5,057	10,114
Grants	344,809	0	35,134	379,943	0	45,134	389,943	769,886
<b>Total Costs</b>	<b>\$362,551</b>	<b>(\$12,685)</b>	<b>\$35,134</b>	<b>\$385,000</b>	<b>(\$12,685)</b>	<b>\$45,134</b>	<b>\$395,000</b>	<b>\$780,000</b>
Federal Special	362,551	(12,685)	35,134	385,000	(12,685)	45,134	395,000	780,000
<b>Total Funds</b>	<b>\$362,551</b>	<b>(\$12,685)</b>	<b>\$35,134</b>	<b>\$385,000</b>	<b>(\$12,685)</b>	<b>\$45,134</b>	<b>\$395,000</b>	<b>\$780,000</b>

### Program Description

Improving Teacher Quality is a federally funded grant program providing awards to fund partnerships between higher education and high-need K-12 school districts in order to provide professional development and teacher training that improves teaching methods and teaching skills in the classroom. Starting in federal FY 2002, what had been the Eisenhower Mathematics & Science Education Program (for K-12 teachers of math and science) was expanded to include all academic areas and the program was renamed, now known as the Improving Teacher Quality Program.

### Program Highlights

Improving Teacher Quality Program Major Budget Highlights	
◆	The legislative budget increases federal authority \$80,000 in the 2009 biennium in order to provide the authority necessary to expend the full amount each year for this federal grant award

### Program Narrative

As part of the federal No Child Left Behind Program, Improving Teacher Quality targets teacher training in “high-need school districts”, defined as those where:

- Not less than 20 percent of the students served are from families with household income that is below the poverty line
- A high percentage of teachers are without degrees in the academic areas and/or grade levels that they are teaching, or who hold less than standard teacher certification from OPI.

Teacher training sessions are typically hosted on the university campuses of the MUS throughout Montana, where university faculty often lead training sessions both in content area as well as teaching methods.

### Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Improving Teacher Quality						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
<b>03000 Total Federal Special Funds</b>	<b>\$ 362,551</b>	<b>100.0%</b>	<b>\$ 385,000</b>	<b>100.0%</b>	<b>\$ 395,000</b>	<b>100.0%</b>
03183 Ed For Econ Security Grant	362,551	100.0%	385,000	100.0%	395,000	100.0%
<b>Grand Total</b>	<b>\$ 362,551</b>	<b>100.0%</b>	<b>\$ 385,000</b>	<b>100.0%</b>	<b>\$ 395,000</b>	<b>100.0%</b>

Funding for this program is entirely from federal revenue, Title II grant funds. There is no state funding match required.

### Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2008-----					-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				(12,686)					(12,686)
Inflation/Deflation				1					1
<b>Total Statewide Present Law Adjustments</b>				<b>(\$12,685)</b>					<b>(\$12,685)</b>
<b>Grand Total All Present Law Adjustments</b>				<b>(\$12,685)</b>					<b>(\$12,685)</b>

### New Proposals

New Proposals										
-----Fiscal 2008-----						-----Fiscal 2009-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 3001 - Incr. Improving Teacher Quality Grants - 03	0.00	0	0	35,134	35,134	0.00	0	0	45,134	45,134
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$35,134</b>	<b>\$35,134*</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$45,134</b>	<b>\$45,134*</b>

DP 3001 - Incr. Improving Teacher Quality Grants - The legislature approved \$80,268 of federal funding authority to the Improving Teacher Quality Program for the 2009 biennium, in order to provide authority at the funding level anticipated each year for this federal grant.

### Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Local Assistance	7,482,416	799,730	877,947	9,160,093	907,945	1,480,007	9,870,368	19,030,461
<b>Total Costs</b>	<b>\$7,482,416</b>	<b>\$799,730</b>	<b>\$877,947</b>	<b>\$9,160,093</b>	<b>\$907,945</b>	<b>\$1,480,007</b>	<b>\$9,870,368</b>	<b>\$19,030,461</b>
General Fund	7,482,416	799,730	877,947	9,160,093	907,945	1,480,007	9,870,368	19,030,461
<b>Total Funds</b>	<b>\$7,482,416</b>	<b>\$799,730</b>	<b>\$877,947</b>	<b>\$9,160,093</b>	<b>\$907,945</b>	<b>\$1,480,007</b>	<b>\$9,870,368</b>	<b>\$19,030,461</b>

### Program Description

The Community College Assistance Program distributes funds appropriated by the legislature to support Montana's three community colleges:

- Dawson Community College located in Glendive
- Flathead Valley Community College with campuses located in Kalispell and Libby
- Miles Community College located in Miles City

Each community college district has an elected board of trustees who have governance authority over the college, but the trustees are subject to the supervision of the Board of Regents, as directed by Title 20, Chapter 15, MCA.

The funding formula and methodology for the state general fund appropriation to the community colleges is outlined in statute at 20-15-312, MCA. The general operating budgets of the community colleges are funded from a state general fund appropriation, student tuition and fees, a mandatory property tax levy, an optional voted levy, and other miscellaneous revenue funds. Only the state general fund is appropriated in HB 2.

### Program Highlights

Community College Assistance Program Major Budget Highlights	
◆	The 2009 biennium legislative budget, including pay plan funding, increases community college assistance by \$3.65 million general fund over the 2007 biennium appropriation, less the FY 2006 student enrollment general fund reversion, as follows: <ul style="list-style-type: none"> <li>• \$1.71 million general fund for present law adjustments, based upon a projected 8.8 percent student enrollment increase over the base year</li> <li>• \$1.46 million general fund for HB 13 pay plan increases</li> <li>• \$900,000 of additional general fund that is recommended outside the statutory funding formula</li> </ul>
◆	The state appropriation for the Community College Assistance Program includes a state percent share of 48.5% in FY 2008 and 49.3% in FY 2009

### Program Narrative

The general fund appropriation for the community colleges is based upon a three-factor funding formula that includes a fixed and variable cost calculation defined by statute at 20-15-312, MCA, as amended by SB 12 that was passed and approved during the 2007 regular session. This formula is stated mathematically and the factors are defined as follows:

$$[(\text{Projected Student Enrollment} \times \text{Variable Cost of Education per Student}) + \text{Fixed Cost of Education}] \times \text{State Percent Share} = \text{State General Fund Budget}$$

- Projected Student Enrollment = the aggregated FTE count that the three colleges project for each year of the proposed biennial budget
- Variable Cost of Education per Student = the total variable costs for the base year divided by the actual FTE student enrollment for the base year (both derived from base-year CHE 201 form)
- Fixed Cost of Education = the total fixed costs for the base year (derived from base-year CHE 201 form)
- State Percent Share = the percent of the CHE 201 derived fixed + variable costs calculation that the legislature decides, as a matter of public policy, to support with a state appropriation. The state percent share factor is the mechanism through which the legislature exercises public policy in this formula, as the percent level established is purely a matter of the public policy decision the legislature makes based upon available state revenue and the amount of funding the legislature determines that state government should support Montana resident students attending community colleges

Using this revised funding formula, the legislature accepted the student enrollment projections for 2,411 FTE in both FY 2008 and FY 2009, and established the state percent share to be 48.5 percent in FY 2008 and 49.3 percent in FY 2009. Based upon the FY 2006 base-year operating budgets that establish a variable cost of education per FTE student at \$1,815 and a total fixed cost of education at \$12.6 million, the state appropriation for community college assistance is \$19 million in the 2009 biennium as the figure below illustrates:

Figure 9 Community College Assistance Program - HB 2 General Fund Appropriation 2009 Biennium Budget Total Using Senate Bill No. 12 Formula Includes a Fixed/Variable Cost Calculation at a 75/25 Ratio									
Budget Item Factors	Fiscal Year 2008				Fiscal Year 2009				Total Biennial Approp.
	Dawson	Flathead Valley	Miles	Total	Dawson	Flathead Valley	Miles	Total	
Projected Resident Student FTE	445	1,475	491	2,411	445	1,475	491	2,411	
Fixed Cost of Education	\$2,226,476	\$7,135,977	\$3,280,161	\$12,642,614	\$2,226,476	\$7,135,977	\$3,280,161	\$12,642,614	
Variable Cost of Education per FTE	\$1,815	\$1,815	\$1,815	\$1,815	\$1,815	\$1,815	\$1,815	\$1,815	
State % Share of Cost of Education	48.5%	48.5%	48.5%	48.5%	49.3%	49.3%	49.3%	49.3%	
Calculated Total Funding Budget	\$1,471,600	\$4,759,476	\$2,023,133	\$8,254,210	\$1,495,874	\$4,837,983	\$2,056,505	\$8,390,361	<b>\$16,644,571</b>
DP 4004 - Legislative Audit **	\$8,972	\$10,913	\$8,051	\$27,936					<b>\$27,936</b>
DP 4010 - Prog. Dev./Capital (OTO)	\$ 150,000	\$ 150,000	\$ 150,000	\$ 450,000	\$150,000	\$150,000	\$150,000	\$450,000	<b>\$900,000</b>
HB 13 Pay Plan Allocation	\$ 80,779	\$ 258,373	\$ 88,795	\$ 427,947	\$248,188	\$522,115	\$259,704	\$1,030,007	<b>\$1,457,954</b>
Total General Fund Budget	<u>\$1,711,351</u>	<u>\$5,178,762</u>	<u>\$2,269,979</u>	<u>\$9,160,093</u>	<u>\$1,894,062</u>	<u>\$5,510,098</u>	<u>\$2,466,209</u>	<u>\$9,870,368</u>	<b>\$19,030,461</b>

\*\* Biennial appropriation

In addition to the results of the statutory funding formula, the legislature approved a \$900,000 one-time-only general fund appropriation for program development and capital investment (DP 4010). This appropriation is to be allocated on an equal basis to the three colleges.

Pay plan funding from HB 13 is also appropriated to the colleges. As the figure above illustrates, the community college allocation from pay plan totals \$1.46 million general fund in the 2009 biennium. This is based upon a state percent share of 95 percent of the total cost of the pay plan to the colleges. The 95 percent state share is based upon the ratio of resident students as the portion of total student enrollment. It should be noted that this state percent share formula for the state pay plan represents a significant policy change as historically the pay plan state percent share has been the same as that used in the HB 2 budget, so that the 95 percent level represents double the typical state funding level for pay plan.

### *Continuing Fiscal Challenges*

Elsewhere in the university system budget, state funding levels were sufficient that the Regents agreed to freeze resident student tuition at the university educational units for both years of the 2009 biennium. This initiative, the College Affordability Plan (CAP), was based upon extensive budget work prior to the legislative session between the executive budget office and OCHE. The CAP process did not include the community college until very late in the budget process. Thus, there was no CAP agreement with the community colleges and their local boards of trustees.

Subsequent to the HB 2 budget, the community college trustees approved operating budgets for FY 2008 that include tuition and mandatory fee increases at all three colleges as follows (for in-district Montana resident students):

- Dawson Community College annual tuition and fees are \$2,736, an increase of 6.5 percent
- Flathead Valley Community College annual tuition and fees are \$3,080, an increase of 21.0 percent
- Miles Community College annual tuition and fees are \$3,420, an increase of 9.6 percent

### **Funding**

The Community College Assistance Program is funded entirely with general fund. The community colleges use the higher education fund structure to account for revenues and expenditures, the same fund structure used by the educational units and higher education agencies.

Program Funding Table Community College Assist						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
<b>01000 Total General Fund</b>	<b>\$ 7,482,416</b>	<b>100.0%</b>	<b>\$ 9,160,093</b>	<b>100.0%</b>	<b>\$ 9,870,368</b>	<b>100.0%</b>
01100 General Fund	7,482,416	100.0%	9,160,093	100.0%	9,870,368	100.0%
<b>Grand Total</b>	<b>\$ 7,482,416</b>	<b>100.0%</b>	<b>\$ 9,160,093</b>	<b>100.0%</b>	<b>\$ 9,870,368</b>	<b>100.0%</b>

### **Present Law Adjustments**

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2008-----					-----Fiscal 2009-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 4000 - Community Colleges - Enrollment Reversion Adjust.	0.00	(659,162)	0	0	(659,162)	0.00	(659,162)	0	0	(659,162)
DP 4004 - Community Colleges - Legislative Audit (Rst/Bien)	0.00	27,936	0	0	27,936	0.00	0	0	0	0
DP 4111 - Community College Assistance Funding	0.00	1,430,956	0	0	1,430,956	0.00	1,567,107	0	0	1,567,107
Total Other Present Law Adjustments										
0.00	\$799,730	\$0	\$0	\$799,730	0.00	\$907,945	\$0	\$0	\$907,945	
Grand Total All Present Law Adjustments				\$799,730						\$907,945

DP 4000 - Community Colleges - Enrollment Reversion Adjust. - The legislature approved a budget adjustment of FY 2006 expenditures downward by \$659,162 each year of the 2009 biennium in order to reflect the enrollment reversion that is required because community college student enrollment projections were not met during the base year, in accordance with 17-7-142, MCA.

The figure below illustrates the resident student enrollment rates at each of the three community colleges since 1997 and includes the HB 2 budgeted student enrollment rates for FY 2008 and FY 2009.

Figure 10 Montana Community Colleges Annual Resident Student FTE Enrollment (1997 - 2009)																		
Community College	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Annual Change 1997-2007	Overall Change 1997-2007	HB2 Budgeted 2008	HB2 Budgeted 2009	Annual Change 1997-2009	Overall Change 1997-2009	
Dawson CC	350	437	419	384	363	388	363	392	442	442	353	0.09%	0.86%	445	445	2.02%	27.14%	
Flathead Valley CC	1,124	1,148	1,181	1,157	1,144	1,269	1,380	1,605	1,407	1,332	1,223	0.85%	8.81%	1,475	1,475	2.29%	31.23%	
Miles CC	524	508	447	452	494	495	455	489	513	442	422	-2.14%	-19.47%	491	491	-0.54%	-6.30%	
Total	<u>1,998</u>	<u>2,093</u>	<u>2,047</u>	<u>1,993</u>	<u>2,001</u>	<u>2,152</u>	<u>2,198</u>	<u>2,486</u>	<u>2,362</u>	<u>2,216</u>	<u>1,998</u>	<u>0.00%</u>	<u>0.00%</u>	<u>2,411</u>	<u>2,411</u>	<u>1.58%</u>	<u>20.67%</u>	

Source: Detailed FTE Report published by the Office of the Commissioner of Higher Education (May 2007)

As this figure demonstrates, total resident student enrollment for the colleges in FY 2006 was 2,216 FTE, which represents an enrollment shortfall of 415 FTE students. The amount in DP 4000 represents the general fund reversion required by statute as a result of this 415 FTE shortfall. It should be noted that the final enrollment figures for the colleges in FY 2007 is 1,998 FTE students, which represents an enrollment shortfall of 772 FTE from the 2,770 FTE budgeted for in the FY 2007 state appropriation in HB 2.

Although it will not affect the 2009 biennium budget, preliminary calculations indicate that there will be an additional general fund enrollment reversion of \$1.15 million for the community colleges in FY 2007, based upon this 772 FTE student enrollment shortfall. Therefore, the total 2007 biennium reversion for both fiscal years (FY 2006 and FY 2007) for each of the community colleges will be:

- Dawson Community general fund reversion is \$532,294
- Flathead Valley Community College general fund reversion is \$725,354
- Miles Community College general fund reversion is \$548,842
- Total 2007 biennium reversion for all community colleges is \$1,806,490

DP 4004 - Community Colleges - Legislative Audit (Rst/Bien) - The legislature approved a restricted/biennial \$27,936 general fund appropriation for legislative audit costs, funding these expenditures at the 48.5 percent state share level approved in HB 2.

DP 4111 - Community College Assistance Funding - The legislature approved the community college assistance general fund appropriation at \$8.25 million in FY 2008 and \$8.39 million in FY 2009, based upon an annual student enrollment of 2,411 FTE each year, a fixed cost of education of \$12.6 million, a variable cost of education per FTE student of \$1,815, and a state percent share of 48.5 percent in FY 2008 and 49.3 percent in FY 2009. This statutory formula calculation has been made in accordance with the new statutory funding formula approved during the 2007 legislative session.

From this three-factor formula calculation, the present law adjustment that is represented in DP 4111 totals \$1.4 million general fund in FY 2008 and \$1.6 million general fund in FY 2009.

## New Proposals

New Proposals										
-----Fiscal 2008-----						-----Fiscal 2009-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 4010 - Community College Assistance - Rst/OTO										
04	0.00	450,000	0	0	450,000	0.00	450,000	0	0	450,000
DP 6013 - 2009 Biennium Pay Plan - HB 13										
04	0.00	427,947	0	0	427,947	0.00	1,030,007	0	0	1,030,007
<b>Total</b>	<b>0.00</b>	<b>\$877,947</b>	<b>\$0</b>	<b>\$0</b>	<b>\$877,947*</b>	<b>0.00</b>	<b>\$1,480,007</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,480,007*</b>

DP 4010 - Community College Assistance - Rst/OTO - The legislature approved \$450,000 per year in one-time-only general fund for community colleges for new program development or capital investments. These funds are to be allocated equally to each of the three community colleges. This appropriation is outside of the funding formula.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

The figure below demonstrates the HB 13 general fund pay plan allocation to each of the community colleges:

Figure 11 Montana University System HB 13 Pay Plan Allocations to University System Programs (General Fund Only) 2009 Biennium Budget			
MUS Program	FY 2008	FY 2009	Biennial Total
Dawson Community College	\$80,779	\$248,188	\$328,967
Flathead Valley Community College	258,373	522,115	780,488
Miles Community College	88,795	259,704	348,499
Total (DP 6013)	<u>\$427,947</u>	<u>\$1,030,007</u>	<u>\$1,457,954</u>

Pay plan costs were funded at a state percent share of 95 percent, which represents the ratio of Montana resident students to total student enrollment at the three community college campuses.

## Other Legislation

SB 12 of the 2007 regular session – The legislature approved revisions to the statutory three-factor funding formula that determines the state appropriation of general fund to Montana's community colleges, at 20-15-312, MCA. This legislation was requested by the Legislative Finance Committee as the result of an interim study requested by the 2005 Legislature, which had concerns that the "cost of education" factor in the formula had lost relevance and was no longer an accurate basis of community college costs.

The SB 12 formula revisions require that the cost of education component be based upon actual base-year operating budgets of the community colleges, and the revisions include a fixed and variable cost calculation in the formula. The state appropriation to the community colleges in HB 2 for the 2009 biennium is based upon the new formula passed and approved in SB 12.



HB 13 of the 2007 regular session – As stated above with DP 6013, the legislature passed a pay plan in HB 13 that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. For the community colleges, the legislature funded 95 percent of the pay plan with general fund, totaling almost \$1.5 million.

### **Language**

Statute requires the legislature to determine the variable cost of education per full-time student and the budget amount for fixed costs for the community colleges, and to declare in the appropriations bill the state percent share of these costs that the appropriation is intended to represent. HB 2 includes the following language to comply with statute:

“The variable cost of education for each full-time equivalent student at the community colleges, including Summitnet, is \$1,815 each year of the 2009 biennium. The general fund appropriation for OCHE -- Community College Assistance (04) provides 48.5% of the fixed cost of education plus 48.5% of the variable cost of education for each full-time equivalent student in fiscal year 2008 and 49.3% of the fixed cost of education plus 49.3% of the variable cost of education for each full-time equivalent student in fiscal year 2009. The remaining percentage of the budget must be paid from funds other than those appropriated for OCHE -- Community College Assistance.”

### *General Fund Subject to Reversion*

HB 2 includes the following language that makes the community college appropriation, which is based in part upon student enrollment projections, subject to reversion if actual enrollment does not reach the projected enrollment figures.

“The general fund appropriation for OCHE -- Community College Assistance (04) is calculated to fund education in the community colleges for an estimated 2,411 resident FTE students in both fiscal year 2008 and fiscal year 2009. If total resident FTE student enrollment in the community colleges is greater than the estimated number for the biennium, the community colleges shall serve the additional students without a state general fund contribution. If actual resident FTE student enrollment is less than the estimated number for the biennium, the community colleges shall revert general fund money to the state in accordance with 17-7-142, MCA.”

### *Audit Costs Allocation*

HB 2 includes the following language to provide for audit costs in the 2009 biennium.

“Total audit costs are estimated to be \$57,600 for the community colleges for the biennium. The general fund appropriation for each community college provides 48.5% of the total audit costs in the 2009 biennium. The remaining 51.5% of these costs must be paid from funds other than those appropriated for OCHE – Community College Assistance – Legislative Audit. Audit costs for the biennium may not exceed \$18,500 for Dawson, \$16,600 for Miles, and \$22,500 for Flathead Valley community college.”

### *Additional Community College Assistance Appropriation*

HB 2 includes language that requires that the line-item funding in DP 4010 is allocated equally among the colleges.

“Community College Assistance will be distributed to the three community colleges equally for new program development or capital investments.”

### Program Description

The Board of Regents, through the Office of the Commissioner of Higher Education (OCHE), provides faculty and staff with group health benefits through the Montana University System (MUS) Group Insurance Program, which includes a flexible spending account option. The commissioner is authorized by Board of Regents' policy to administer the program as a self-insured, group insurance plan. All university system employees and eligible dependents are offered medical, pharmacy, dental, vision, and group life insurance, as well as long-term disability and long-term care benefits. Retirees and their enrolled dependents are eligible to continue medical and pharmacy coverage on a self-pay basis.

### Program Highlights

MUS Group Health Insurance Program Major Budget Highlights	
◆	The legislative budget projects an increase of \$34 million of medical insurance claims payments in the 2009 biennium, which represents an 11.6 percent increase each year from the FY 2006 base year through FY 2009
◆	The rate approved by the legislature includes an increase of \$94,657 of proprietary funding to add 1.00 FTE for a quality assurance/internal auditor position for the MUS Group Insurance program

### Funding

This program is an enterprise fund in which the funding sources include:

- Employer-paid contribution toward insurance premiums
- Employee-paid contribution toward insurance premiums
- Employee payments to flexible spending accounts
- Interest earnings on the program fund

### Proprietary Rate Explanation

The legislature has defined the rates and fees for the MUS employee benefits program to mean the state contribution and the employee contribution toward employee group benefits that is necessary to maintain the benefit plan on an actuarially sound basis. Starting in FY 2007, the annual state contribution available per employee is \$6,684, while the average insurance premium for an individual MUS employee is \$6,185, depending upon the various plan options selected. Insurance premiums for MUS employees with spouse and children average \$8,733 annually, again depending upon the various plans and options offered. This is \$2,049 more per year than the state contribution.

The legislature approved (in HB 13 the pay plan) a \$33 increase per month in FY 2008 for each employee and an additional \$36 increase per month in FY 2009 towards the cost of health insurance. The projected number of members who will participate in the MUS Group Insurance Program during the 2009 biennium is approximately 18,000.

The health, dental and vision plan options for university system employees is equivalent to the plan options for other State of Montana employees, though the plans have different third-party administrators.

Employee premiums depend upon the plan selected and whether the contributor is a current employee, an employee dependent, or a retiree. Payments to a flexible spending account are at the discretion of the employee, subject to a \$10 monthly minimum for those who choose to enroll.

### Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	19.95	(1.00)	0.00	18.95	(1.00)	0.00	18.95	18.95
Personal Services	755,774	163,127	29,131	948,032	165,676	67,053	988,503	1,936,535
Operating Expenses	652,091	5,806	52,412	710,309	7,529	52,412	712,032	1,422,341
Grants	603,613	0	1,407,242	2,010,855	0	1,407,242	2,010,855	4,021,710
Transfers	300,000	0	600,000	900,000	0	600,000	900,000	1,800,000
<b>Total Costs</b>	<b>\$2,311,478</b>	<b>\$168,933</b>	<b>\$2,088,785</b>	<b>\$4,569,196</b>	<b>\$173,205</b>	<b>\$2,126,707</b>	<b>\$4,611,390</b>	<b>\$9,180,586</b>
General Fund	82,687	(9,839)	1,034	73,882	(9,806)	1,074	73,955	147,837
State/Other Special	0	0	0	0	0	0	0	0
Federal Special	2,228,791	178,772	2,087,751	4,495,314	183,011	2,125,633	4,537,435	9,032,749
<b>Total Funds</b>	<b>\$2,311,478</b>	<b>\$168,933</b>	<b>\$2,088,785</b>	<b>\$4,569,196</b>	<b>\$173,205</b>	<b>\$2,126,707</b>	<b>\$4,611,390</b>	<b>\$9,180,586</b>

### Program Description

Talent Search is primarily a federally funded program intended to decrease the dropout rate of low-income and at-risk students at the secondary school level, and to increase their enrollment in post-secondary education. The Talent Search program has three components providing services to the target populations:

- Gaining Early Awareness & Readiness for Undergraduate Programs (GEAR-UP) is an early intervention and scholarship program that provides mentoring, counseling and outreach to build academic success that will lead to post secondary education enrollment and achievement. The program provides these services to an entire cohort of students at participating schools starting in seventh grade, and the program services follow that cohort through high school completion.
- Montana Educational Talent Search (METs) creates a long-term academic contract with middle school students that subsequently provide academic support, skills building, and counseling to encourage the planning, preparation and pursuit of a post secondary education.
- American Indian/Minority Achievement (AIMA) is responsible for American Indian and minority recruitment and retention in the university system, oversight for the campus diversity plans, and AIMA works to implement Indian Education for All programs in the university system. An overall objective of the program is to work with the campuses of the MUS in order to increase recruitment, enrollment, and graduation rates of American Indian and other minority students.

### Program Highlights

Talent Search Program Major Budget Highlights	
◆	The legislative budget increases federal authority by \$4.1 million for the biennium reflecting renewal of a five-year federal grant awarded to the GEAR UP program

### Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Talent Search						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
<b>01000 Total General Fund</b>	<b>\$ 82,687</b>	<b>3.6%</b>	<b>\$ 73,882</b>	<b>1.6%</b>	<b>\$ 73,955</b>	<b>1.6%</b>
01100 General Fund	82,687	3.6%	73,882	1.6%	73,955	1.6%
<b>03000 Total Federal Special Funds</b>	<b>2,228,791</b>	<b>96.4%</b>	<b>4,495,314</b>	<b>98.4%</b>	<b>4,537,435</b>	<b>98.4%</b>
03042 2Nd Gear Up Grant	705,690	30.5%	3,560,437	77.9%	3,577,534	77.6%
03411 Gear Up Trio Scholarship	242,588	10.5%	295,000	6.5%	295,000	6.4%
03806 Talent Search	518,891	22.4%	639,877	14.0%	664,901	14.4%
03958 Gear-Up Grant	761,622	32.9%	-	-	-	-
<b>Grand Total</b>	<b>\$ 2,311,478</b>	<b>100.0%</b>	<b>\$ 4,569,196</b>	<b>100.0%</b>	<b>\$ 4,611,390</b>	<b>100.0%</b>

The Montana Educational Talent Search (METS) program is funded 100 percent from federal funds and there is no match requirement. The American Indian/Minority Achievement program is funded 100 percent from state general fund. GEAR-UP is funded by a federal grant that requires a 50 percent non-federal fund match, which is provided through allowable in-kind services.

### Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2008-----					-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				236,674					239,336
Vacancy Savings				(39,699)					(39,802)
Inflation/Deflation				4,356					6,016
Fixed Costs				1,551					1,618
<b>Total Statewide Present Law Adjustments</b>				<b>\$202,882</b>					<b>\$207,168</b>
DP 6015 - State Motor Pool Rate Change									
0.00 (23) 0 (78) (101)					0.00 (24) 0 (81) (105)				
DP 6053 - Move 1 FTE from Minority Achiev. to Administration									
(1.00) (33,848) 0 0 (33,848)					(1.00) (33,858) 0 0 (33,858)				
<b>Total Other Present Law Adjustments</b>									
(1.00) (\$33,871) \$0 (\$78) (\$33,949)					(1.00) (\$33,882) \$0 (\$81) (\$33,963)				
<b>Grand Total All Present Law Adjustments</b>				<b>\$168,933</b>					<b>\$173,205</b>

DP 6015 - State Motor Pool Rate Change - The legislative budget reduced rates for the State Motor Pool from the rates requested by the Governor. This decision package adjusts the agency budget to correspond to the approved State Motor Pool rates.

DP 6053 - Move 1 FTE from Minority Achiev. to Administration - The legislature approved moving \$67,706 general fund from the Talent Search program to the OCHE Administration Program to fund a 1.00 FTE administrative support staff position that was moved to improve administrative efficiency, decreasing the general fund budget for this program by \$67,706.

## New Proposals

New Proposals										
Program	FTE	Fiscal 2008				Fiscal 2009				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
06	0.00	0	0	25,946	25,946	0.00	0	0	63,754	63,754
DP 6014 - Retirement Employer Contributions - HB 131 & HB 63										
06	0.00	1,034	0	2,151	3,185	0.00	1,074	0	2,225	3,299
DP 6052 - Increase Federal Gear-Up Grants & Scholarships										
06	0.00	0	0	2,059,654	2,059,654	0.00	0	0	2,059,654	2,059,654
<b>Total</b>	<b>0.00</b>	<b>\$1,034</b>	<b>\$0</b>	<b>\$2,087,751</b>	<b>\$2,088,785*</b>	<b>0.00</b>	<b>\$1,074</b>	<b>\$0</b>	<b>\$2,125,633</b>	<b>\$2,126,707*</b>

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 & HB 63 - The legislature adopted HB 131 and HB 63, which increase the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

DP 6052 - Increase Federal Gear-Up Grants & Scholarships - The legislature approved an increase of federal funding authority by \$4.1 million in the biennium for the Gaining Early Awareness and Readiness for Undergraduate Program (GEAR UP), which is administered within the Office of the Commissioner of Higher Education. The program won reauthorization of this federal grant for another five years via competitive grant process from the U.S. Department of Education. The increased federal authority would be used to fund additional grants to Montana schools and scholarships for Montana students.

**Program Description**

The Montana Board of Regents created the Montana University System (MUS) Self-Funded Workers' Compensation Program in April 2003, as authorized by the Workers' Compensation Act at 39-71-403, MCA. This program, which became effective in July 2003, provides workers' compensation insurance coverage for all university system employees as well as employees of the Office of Commissioner of Higher Education. The self-funded program was established with a \$2 million reserve that was raised through a revenue bond with a five-year payoff schedule that is built into the premiums charged to each employer unit.

**Funding**

The self-funded workers compensation program is an enterprise fund in which the funding sources include:

- Employer-paid premiums
- Interest earnings on the invested program reserve funds

**Program Expenditures**

Expenditures include claims, reinsurance premiums, debt service, and administrative operating expenses.

Premiums (revenue) are estimated to increase at a rate of 3.7 percent per year from FY 2006 through FY 2009, while operating expenditures are estimated to increase at a rate of 5.3 percent during that same time period.

**Language**

This bill includes the following HB 2 language associated with this program:

“The legislature defines rates for the Montana university system self-funded workers compensation program to mean the amount necessary to maintain the plan on an actuarially sound basis.”

**Proprietary Rate Explanation**

Premium rates for the program are based upon commonly accepted actuarial principles developed by a qualified actuary and reviewed by an oversight committee comprised of university system representatives and the administrator of the State of Montana Risk Management and Tort Defense Division. Rates in the early years of this self-funded program are based on historical data (7 years) of MUS claims experience and reserving practices of the State Fund, which insured the MUS during that period.

The rates and fees for the workers compensation program are defined as those premiums charged to the employer units of the Montana University System that are necessary to fund the operations and the claims payment obligations.

### Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	5.01	0.00	0.00	5.01	0.00	0.00	5.01	5.01
Personal Services	263,822	43,597	8,764	316,183	44,953	18,789	327,564	643,747
Operating Expenses	184,570	464	0	185,034	574	0	185,144	370,178
Grants	2,729,576	(85,339)	0	2,644,237	(85,339)	0	2,644,237	5,288,474
Transfers	3,262,045	0	0	3,262,045	0	0	3,262,045	6,524,090
<b>Total Costs</b>	<b>\$6,440,013</b>	<b>(\$41,278)</b>	<b>\$8,764</b>	<b>\$6,407,499</b>	<b>(\$39,812)</b>	<b>\$18,789</b>	<b>\$6,418,990</b>	<b>\$12,826,489</b>
General Fund	91,092	0	579	91,671	0	602	91,694	183,365
Federal Special	6,348,921	(41,278)	8,185	6,315,828	(39,812)	18,187	6,327,296	12,643,124
<b>Total Funds</b>	<b>\$6,440,013</b>	<b>(\$41,278)</b>	<b>\$8,764</b>	<b>\$6,407,499</b>	<b>(\$39,812)</b>	<b>\$18,789</b>	<b>\$6,418,990</b>	<b>\$12,826,489</b>

### Program Description

The federal Carl D. Perkins Vocational and Applied Technology Education Act provides funds to support vocational education (career training and technical education) at the secondary and post secondary levels. The Board of Regents is the state agency that administers these funds. Section 20-7-329, MCA provides that the Board of Regents contract with the Superintendent of Public Instruction to administer and supervise the K-12 vocational education programs, while OCHE provides administrative support for vocational programs at the postsecondary education level.

Thus, OCHE coordinates these primarily federally funded vocational education efforts through two grant programs:

- Carl Perkins formula and competitive grants, which fund equipment, faculty and other support directly to vocational education programs in two-year postsecondary institutions; and
- Tech Prep Grants, which are allocated across five regions in Montana to support planning, collaboration and integration of the vocational education infrastructure and curricula at the secondary and postsecondary institutions in each region.

### Program Highlights

Workforce Development Program Major Budget Highlights	
◆	The legislative budget reduces federal authority by \$170,678 in the 2009 biennium to reflect completion of a two-year incentive grant for health care worker programs
◆	All other changes in this program budget are for statewide present law adjustments

### Program Narrative

As part of workforce development programs at the university educational units and the community colleges, the legislature approved \$5.5 million in funding to support equipment acquisition and technology as well as program development for workforce training programs in high demand occupational fields. These appropriations are included in the appropriation distribution for the university campuses (see DP's 9053 and 9054) and the funds are to be allocated to campuses through a competitive grant administered by OCHE. This grant distribution must include input from the State Workforce Investment Board (SWIB) in order to see that it is aligned with workforce needs.

The legislature also expressed concern during the 2007 regular session about the role and future funding that community based organizations would receive from federal funds to address special needs populations in Montana related to workforce training during the 2009 biennium. At one point there was an amendment to the legislative budget for the Perkins funding that would set aside a specific appropriation for the community based organizations. There was concern by legal staff that this may not meet federal grant requirements so rather than this specific allocation, a memorandum of understanding (MOU) was signed by the Commissioner of Higher Education, the Superintendent of Public Instruction, and the leading official of the community based organizations that states that at least \$360,000 will be allocated by OCHE for special needs population workforce programs.

### Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Work Force Development P							
Program Funding		Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
<b>01000</b>	<b>Total General Fund</b>	<b>\$ 91,092</b>	<b>1.4%</b>	<b>\$ 91,671</b>	<b>1.4%</b>	<b>\$ 91,694</b>	<b>1.4%</b>
	01100 General Fund	91,092	1.4%	91,671	1.4%	91,694	1.4%
<b>03000</b>	<b>Total Federal Special Funds</b>	<b>6,348,921</b>	<b>98.6%</b>	<b>6,315,828</b>	<b>98.6%</b>	<b>6,327,296</b>	<b>98.6%</b>
	03043 Sw Workforce-Health Care Prov	224,975	3.5%	-	-	-	-
	03215 Carl Perkins Federal Funds	5,585,846	86.7%	5,819,853	90.8%	5,829,427	90.8%
	03951 Tech Prep Grant	538,100	8.4%	495,975	7.7%	497,869	7.8%
<b>Grand Total</b>		<b>\$ 6,440,013</b>	<b>100.0%</b>	<b>\$ 6,407,499</b>	<b>100.0%</b>	<b>\$ 6,418,990</b>	<b>100.0%</b>

This program is funded primarily from federal revenue from the Carl D. Perkins Vocational and Applied Technology Act, but this federal grant also requires a general fund match to demonstrate state support for administrative costs. The state administrative match rate for this grant is 5 percent of the total federal grant award, which is split between higher education and K-12 public education at a ratio of 38/62 percent. The general fund in this program, therefore, reflects the required state funding match for the higher education portion of the total federal grant award, which is approximately 1.6 percent state funding to federal funding.

### Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2008-----					-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				56,406					57,818
Vacancy Savings				(12,809)					(12,865)
Inflation/Deflation				570					661
Fixed Costs				(69)					(49)
<b>Total Statewide Present Law Adjustments</b>				<b>\$44,098</b>					<b>\$45,565</b>
DP 801 - Decrease Grant Funding	0.00	0	0	(85,339)	0.00	0	0	(85,339)	(85,339)
DP 6015 - State Motor Pool Rate Change	0.00	0	0	(37)	0.00	0	0	(38)	(38)
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$85,376)</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$85,377)</b>	<b>(\$85,377)</b>
<b>Grand Total All Present Law Adjustments</b>				<b>(\$41,278)</b>					<b>(\$39,812)</b>



DP 801 - Decrease Grant Funding - The legislature approved a reduction of federal funding authority of \$170,678 in the 2009 biennium as a two-year federal incentive grant for health care worker programs will end in FY 2007. This federal funding program was a pass-through grant from the Montana Department of Labor and Industry.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

### New Proposals

New Proposals										
Program	FTE	Fiscal 2008				FTE	Fiscal 2009			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
08	0.00	0	0	6,902	6,902	0.00	0	0	16,862	16,862
DP 6014 - Retirement Employer Contributions - HB 131 & HB 63										
08	0.00	579	0	1,283	1,862	0.00	602	0	1,325	1,927
<b>Total</b>	<b>0.00</b>	<b>\$579</b>	<b>\$0</b>	<b>\$8,185</b>	<b>\$8,764*</b>	<b>0.00</b>	<b>\$602</b>	<b>\$0</b>	<b>\$18,187</b>	<b>\$18,789*</b>

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 & HB 63 - The legislature adopted HB 131 and HB 63, which increase the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

**Program Legislative Budget**

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	0	0	0	0	0	0	0	0
Transfers	144,438,496	1,579,652	27,185,345	173,203,493	1,724,263	32,640,404	178,803,163	352,006,656
Debt Service	0	0	0	0	0	0	0	0
<b>Total Costs</b>	<b>\$144,438,496</b>	<b>\$1,579,652</b>	<b>\$27,185,345</b>	<b>\$173,203,493</b>	<b>\$1,724,263</b>	<b>\$32,640,404</b>	<b>\$178,803,163</b>	<b>\$352,006,656</b>
General Fund	130,167,495	(2,100,670)	24,581,507	152,648,332	(760,172)	31,964,518	161,371,841	314,020,173
State/Other Special	14,271,001	3,680,322	2,603,838	20,555,161	2,484,435	675,886	17,431,322	37,986,483
<b>Total Funds</b>	<b>\$144,438,496</b>	<b>\$1,579,652</b>	<b>\$27,185,345</b>	<b>\$173,203,493</b>	<b>\$1,724,263</b>	<b>\$32,640,404</b>	<b>\$178,803,163</b>	<b>\$352,006,656</b>

**Program Description**

The Appropriation Distribution Program in the Office of the Commissioner of Higher Education (OCHE) is the conduit through which state funds flow to: 1) the university system educational units, the colleges of technology, and other campus related appropriations; and 2) the research/public service agencies.

This program budget is organized in this section in the order listed below. Present law and new proposal adjustments together with explanations are included for each of the following subprograms:

- Educational Units (Montana State University campuses and University of Montana campuses)
- Agricultural Experimental Station (AES)
- Extension Services (ES)
- Forestry and Conservation Experiment Station (FCES)
- Montana Bureau of Mines and Geology (Bureau)
- Fire Services Training School (FSTS)
- Miscellaneous Subprograms that include the following:
  - Family Practice Residency Program administered at MSU-Bozeman
  - Motorcycle Safety Training Program located at MSU-Northern in Havre
  - Dental Hygiene Program at Great Falls COT
  - Yellow Bay Biological Station at Flathead Lake (affiliated with UM-Missoula)

**Program Highlights**

Appropriation Distribution Program Major Budget Highlights	
◆	The legislative budget includes the following general fund appropriations in the 2009 biennium as part of the "College Affordability Plan" (CAP) to freeze university tuition rates for Montana resident students: <ul style="list-style-type: none"> <li>• \$23.3 million for annual cost adjustments at the university educational unit campuses, based upon Montana resident students</li> <li>• \$1.3 million for annual cost adjustments at the university educational unit campuses, based upon the regional exchange students</li> <li>• \$1.0 million one-time-only for high school honors tuition waivers</li> </ul>
◆	The legislative budget includes \$3.7 million general fund for present law adjustments at the five research/public service agencies

- ◆ The legislative budget includes the following significant new proposals:
  - \$4.0 million total (\$2.0 million general fund and \$2.0 million state special revenue) one-time-only to fund equipment and technology acquisition at two-year campuses and community colleges
  - \$1.5 million one-time-only general fund for workforce development education programs in high demand occupations
  - \$1.0 million one-time-only general fund for equipment acquisition at the five research/public service agencies
  - \$700,000 one-time-only general fund for start-up costs of the proposed Speech Pathology Program at the UM-Missoula campus
  - \$400,000 one-time-only general fund for the satellite delivery system for PBS television, licensed by the Board of Regents
  - \$183,000 general fund for a new 1.0 FTE fire trainer for the Fire Services Training School

## Program Narrative

### *College Affordability Plan (CAP) and Tuition Rates*

The primary driver of the 2009 biennium legislative budget for the university educational units is the College Affordability Program (CAP) that is intended, through an agreement with the Regents, to freeze student tuition rates at the FY 2007 levels for both years of the 2009 biennium.

The primary component of the CAP in the HB 2 legislative budget is contained in DP's 9001 and 9002, where the annual cost adjustments for the university educational units are calculated and the legislative budget provides an additional \$24.6 million general fund in the 2009 biennium. The key component of the CAP budget for these annual cost adjustments is that the state percent share of funding for these, as well as for the state pay in HB 13, are set at 84.7 percent (compared to approximately 39 percent in the 2007 biennium).

This new state percent share level of 84.7 percent is the ratio of total FTE students at the university educational units who are Montana resident students or regional exchange students participating in the Western Regional Undergraduate Exchange (WUE) program. Therefore, the legislative budget that includes the CAP funding has fundamentally changed the state percent share of funding formula for annual cost adjustments (for more detail about the cost adjustment components of CAP, see the discussion associated with DP's 9001 and 9002).

In addition to the HB 2 funding level for annual cost adjustments, the CAP also includes legislative funding in the state pay plan (HB 13) for the university at this 84.7 percent state share level as well as the actuarial funding for the PERS and TRS retirement funding programs that were passed and approved in the 2007 legislative session (HB 63 and HB 131).

Together, in total, the CAP funding from all legislation for the 2009 biennium (HB 2, HB 13, HB 63 and HB 131) is approximately \$49.0 million general fund.

Of course, while the outcome goal of CAP is that tuition rates at all university educational units will remain the same throughout the 2009 biennium, the Montana Board of Regents exercise sole authority over tuition rates so that state government, both the legislature and the executive, lacks the authority to enforce this goal related to tuition rates. CAP represents, therefore, an agreement between the legislature and the Regents that has no binding legal authority.

The figure below illustrates the tuition and mandatory fees rates at each institution type in the university system, including the four-year degree programs, the two-year degree programs, and the community colleges.

**Figure 12**  
Montana University System  
Mandatory Resident Student Tuition and Fee Rates for University Educational Units and Community Colleges  
(1998 - 2009)

Campus Type	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2009 Bien. CAP @ University Ed. Units		Annual Average Increase	Overall Increase
											2008*	2009*		
Four-year Campuses	\$2,629	\$2,834	\$2,952	\$3,062	\$3,428	\$3,956	\$4,124	\$4,500	\$4,942	\$5,331	\$5,331	\$5,331	6.6%	102.8%
Two-year Campuses	\$2,049	\$2,228	\$2,274	\$2,288	\$2,522	\$2,670	\$2,710	\$2,932	\$3,036	\$3,137	\$3,137	\$3,137	3.9%	53.1%
Community Colleges	\$1,423	\$1,473	\$1,605	\$1,619	\$1,797	\$1,891	\$2,122	\$2,318	\$2,502	\$2,744	\$3,079	**	7.6%	92.8%

Source: Montana University System - Inventory and Validation of Fees Report (1997-2007) and Proposed Tuition CAP Data (2009 Biennium)  
Four-year and Two-year campuses use weighted-average...Community Colleges use average rates  
\* Although the CAP precludes tuition rate increases at the four and two-year campuses, Regents are considering mandatory fee rate increases (May 2007 Regents meeting) that range from as low as \$10.70 per year to as high as \$79.50 per year at these campuses across the MUS  
\*\* Community College tuition rates for 2008 were set at the Regents meeting in May 2007, and the 2009 rates will not be set until May 2008

This figure has included the projection that tuition rates will remain frozen at the FY 2007 levels, though there may be some changes to the “mandatory fee rates” component of student costs at the educational units. With tuition rates frozen for both years of the 2009 biennium, the annual increase from 1998 through 2009 will be 6.6 percent at the four-year campuses and 3.9 percent at the two-year campuses.

It should be noted that the CAP funding did not include an agreement with Montana’s three community colleges, so that tuition rates are expected to be increased, though those rates have not yet been approved by the Regents.

#### *Student Enrollment and General Fund Reversion under 17-7-142, MCA*

An important component of the legislative approved CAP budget is that resident student enrollment for the 2009 biennium is assumed to be “flat-lined” so that the state budget includes no annual cost adjustments to fund increases in resident student enrollment. The result is that the university system will not receive any additional state funding in the event that there are enrollment increases, even if those enrollment increases are sufficient enough to drive up expenditure costs. Of course since there is no state funding based upon student enrollment, the campuses will also not be subject to the statutory provisions that require a general fund reversion in the event that HB 2 would over-fund actual student enrollment.

This is an important consideration in light of current student enrollment trends, as the projected student enrollment shortfall for the university unit campuses in the 2007 biennium is 1,422 FTE students, as the funded enrollment projections were not met. Under the reversion statute, 17-7-142, MCA, the university system will be required to revert more than \$2.1 million general fund at the end of 2007 biennium as a result of this enrollment shortfall.

The figure below illustrates the history of student enrollment at the university educational units and includes a comparison of resident student to non-resident student enrollment rates.

As this enrollment figure illustrates, resident student enrollment has declined since 2004 and remains essentially flat in the subsequent three years.

**Figure 13**  
Montana University System Student FTE Enrollment  
Fiscal 1995 - Fiscal 2009

Fiscal Year	Resident Student FTE	Annual % Change	Change from Base	Total Student FTE	Resident as a % of Total
FY 95 Actual	23,573			29,876	78.9%
FY 96 Actual	23,557	-0.1%		30,315	77.7%
FY 97 Actual	24,020	2.0%		30,920	77.7%
FY 98 Actual	24,323	1.3%		31,227	77.9%
FY 99 Actual	24,436	0.5%		31,383	77.9%
FY 00 Actual	24,605	0.7%		31,498	78.1%
FY 01 Actual	24,851	1.0%		31,566	78.7%
FY 02 Actual	25,566	2.9%		32,090	79.7%
FY 03 Actual	26,226	2.6%		32,673	80.3%
FY 04 Actual	26,828	2.3%		33,181	80.9%
FY 05 Actual	26,322	-1.9%		32,763	80.3%
FY 06 Actual (Base)	26,422	0.4%		33,089	79.9%
FY 07 Actual	26,263	-0.6%		33,138	79.3%
FY 08 Projected	26,756	1.9%	334	33,629	79.6%
FY 09 Projected	26,756	0.0%	334	33,594	79.6%

\* Data from the Office of the Commission of Higher Education (May 2007)

## Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table						
Appropriation Distributi						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
<b>01000 Total General Fund</b>	<b>\$ 130,167,495</b>	<b>90.1%</b>	<b>\$ 152,648,332</b>	<b>88.1%</b>	<b>\$ 161,371,841</b>	<b>90.3%</b>
01100 General Fund	130,167,495	90.1%	152,648,332	88.1%	161,371,841	90.3%
<b>02000 Total State Special Funds</b>	<b>14,271,001</b>	<b>9.9%</b>	<b>20,555,161</b>	<b>11.9%</b>	<b>17,431,322</b>	<b>9.7%</b>
02289 Bureau Of Mines Groundwater	666,000	0.5%	666,000	0.4%	666,000	0.4%
02443 University Millage	13,385,001	9.3%	19,565,323	11.3%	16,369,436	9.2%
02576 Natural Resources Operations Ssr Fu	-	-	103,838	0.1%	175,886	0.1%
02944 Motorcycle Safety Training	220,000	0.2%	220,000	0.1%	220,000	0.1%
<b>Grand Total</b>	<b>\$ 144,438,496</b>	<b>100.0%</b>	<b>\$ 173,203,493</b>	<b>100.0%</b>	<b>\$ 178,803,163</b>	<b>100.0%</b>

While funding for the appropriation distribution program is primarily general fund, state special revenue from the six-mill property tax levy funds the university educational units, Resource Indemnity Trust funds (RIT) support groundwater research programs at the Montana Bureau of Mines, and a state revenue surcharge from motorcycle licenses supports motorcycle safety programs at the MSU-Northern campus in Havre.

The figure below illustrates the total funding allocations proposed in HB 2 for the university educational units as well as the public service/research agencies. The allocations to each of the university unit campuses are recommendations only, as the Board of Regents retains authority to make the final general fund allocation to each of the campuses.

Figure 14

Appropriation Distribution Program (09) -- 2009 Biennium HB 2 Legislative Budget (Not including HB 13 Pay Plan Funding)

	FY 2006	State Share	New	Legislative	State Share	New	Legislative	2009
	Base Year	Present Law	Proposals	Budget	Present Law	Proposals	Budget	Biennium
		FY 2008	FY 2008	FY 2008	FY 2009	FY 2009	FY 2009	Total
<b>Educational Units</b>								
UM - Missoula	\$38,505,125		\$3,391,646	\$41,896,771		\$4,955,085	\$43,460,210	\$85,356,981
MSU - Bozeman	39,336,474		2,900,065	42,236,539		3,972,250	43,308,724	85,545,263
UM - MT Tech	10,422,931		588,047	11,010,978		1,009,689	11,432,620	22,443,598
MSU - Billings	15,573,142		1,616,930	17,190,072		1,980,849	17,553,991	34,744,063
MSU - Northern	7,373,359		293,483	7,666,842		550,796	7,924,155	15,590,997
UM - Western	5,270,936		629,780	5,900,716		674,519	5,945,455	11,846,171
Great Falls COT	4,084,065		478,285	4,562,350		651,065	4,735,130	9,297,480
Helena COT	3,013,662		393,726	3,407,388		465,889	3,479,551	6,886,939
Family Practice Residency	319,366			319,366			319,366	638,732
Dental Hygiene Program (GF-COT)	235,000			235,000			235,000	470,000
Motorcycle Safety Program	220,000			220,000			220,000	440,000
Yellow Bay Biological Institute	100,000		25,000	125,000		25,000	125,000	250,000
MSU-Northern Science & Water			240,000	240,000		240,000	240,000	480,000
MSU-Bozeman PBS Satellite Delivery (OTO)			400,000	400,000			-	400,000
UM-Missoula Speech Pathology (OTO)			700,000	700,000			-	700,000
MT-Tech Advanced Nursing Prog. (OTO)			40,000	40,000		40,000	40,000	80,000
MUS High School Honors (OTO)			500,000	500,000		500,000	500,000	1,000,000
Program Equipment/Technology (OTO)			4,000,000	4,000,000			-	4,000,000
Workforce Train. - High Demand Fields (OTO)			1,500,000	1,500,000			-	1,500,000
Subtotal	\$124,454,060	\$0	\$17,696,962	\$142,151,022	\$0	\$15,065,142	\$139,519,202	\$281,670,224
<b>Research/Public Service Agencies</b>								
Ag Experiment Station	\$10,675,387	\$1,090,986		\$11,766,373	\$1,135,332		\$11,810,719	\$23,577,092
Ag Experiment Station Addl. (OTO)			\$50,000	\$50,000		\$50,000	\$50,000	\$100,000
Extension Services	5,195,593	372,120		5,567,713	395,231		5,590,824	11,158,537
Forestry Conservation ES	910,245	183,941		1,094,186	193,170		1,103,415	2,197,601
Bureau of Mines	2,404,919	81,141		2,486,060	149,799		2,554,718	5,040,778
Bureau of Mines - RIT Addl. (HB 116)			103,838	103,838		175,886	175,886	279,724
Fire Service Training School	598,292	51,464	108,983	758,739	50,731	74,000	723,023	1,481,762
Research/Public Service Agens. - Equip. (OTO)			1,000,000	1,000,000			-	1,000,000
Bio-Based Institute Base	200,000			200,000			200,000	400,000
Move Bio-based Institute To AES Base		(200,000)		(200,000)	(200,000)		(200,000)	(400,000)
Subtotal	\$19,984,436	\$1,579,652	\$1,262,821	\$22,826,909	\$1,724,263	\$299,886	\$22,008,585	\$44,835,494
Grand Total Program 09	<u>\$144,438,496</u>	<u>\$1,579,652</u>	<u>\$18,959,783</u>	<u>\$164,977,931</u>	<u>\$1,724,263</u>	<u>\$15,365,028</u>	<u>\$161,527,787</u>	<u>\$326,505,718</u>

Source: SAHBRS data for Base Year Expenditures and the MBARS data for HB 2 2009 Biennium Budget

Source: SAHBRS data for Base Year Expenditures and the MBARS data for HB 2 2009 Biennium Budget

As this figure demonstrates, most new funding for the university units is related to the CAP, with a number of additional one-time-only initiatives that target primarily equipment and technology acquisition as well as new program development.

For the research/public service agencies, most of the additional funding in the 2009 biennium budget is related to present law adjustments, where the legislature did increase the state percent share of funding cost adjustments for the Agriculture Experiment Station and the Extension Service to 100 percent. There is a significant new proposal, however, as the legislature provides a one-time-only general fund appropriation of \$1.0 million to support new equipment acquisitions for the research/public service agencies.

### Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2008						Fiscal 2009				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 66 - Increased Overhead Costs for Campus Support	0.00	110,448	0	0	110,448	0.00	158,505	0	0	158,505
DP 9020 - Present Law Adjustments - AES	0.00	762,373	0	0	762,373	0.00	769,954	0	0	769,954
DP 9030 - Present Law Adjustments -Extension Services	0.00	398,948	0	0	398,948	0.00	398,763	0	0	398,763
DP 9040 - Present Law Adjustments - Fire Services Training	0.00	45,004	0	0	45,004	0.00	42,544	0	0	42,544
DP 9050 - Present Law Adjustments - Forestry & Cons.	0.00	100,271	0	0	100,271	0.00	108,580	0	0	108,580
DP 9060 - Present Law Adjustments - Bureau of Mines	0.00	51,874	0	0	51,874	0.00	53,287	0	0	53,287
DP 9063 - BoM - New Space - Restricted	0.00	22,415	0	0	22,415	0.00	89,660	0	0	89,660
DP 9064 - BoM - Miscellaneous	0.00	6,852	0	0	6,852	0.00	6,852	0	0	6,852
DP 9065 - FSTS - Miscellaneous	0.00	6,010	0	0	6,010	0.00	6,955	0	0	6,955
DP 9066 - FCES - Miscellaneous	0.00	920	0	0	920	0.00	1,840	0	0	1,840
DP 9067 - AES - Miscellaneous	0.00	71,272	0	0	71,272	0.00	83,196	0	0	83,196
DP 9068 - Correction Between FCES and ES	0.00	0	0	0	0	0.00	0	0	0	0
DP 9069 - ES - Miscellaneous	0.00	3,265	0	0	3,265	0.00	4,127	0	0	4,127
DP 9075 - Consolidate BioBased with AES RL	0.00	0	0	0	0	0.00	0	0	0	0
DP 9999 - General Fund Replacement with Six Mill Levy Funds	0.00	(1,889,968)	1,889,968	0	0	0.00	(361,139)	361,139	0	0
Total Other Present Law Adjustments										
0.00	(\$310,316)	\$1,889,968	\$0	\$1,579,652	0.00	\$1,363,124	\$361,139	\$0	\$1,724,263	
Grand Total All Present Law Adjustments				\$1,579,652					\$1,724,263	

DP 66 - Increased Overhead Costs for Campus Support - The legislature approved a general fund increase of \$268,953 in the 2009 biennium to support the state percent share levels of overhead costs charged by MSU-Bozeman to the public service/research agencies as follows:

- AES = \$139,523 (state share is 100 percent)
- ES = \$127,748 (state share is 100 percent)
- FSTS = \$1,682 (state share is 100 percent)

DP 9020 - Present Law Adjustments - AES - The legislature approved statewide present law adjustments for the AES in the 2009 biennium, increasing general fund \$1.5 million, as the state percent share of AES funding is calculated at 83 percent.

DP 9030 - Present Law Adjustments -Extension Services - The legislature approved statewide present law adjustments for the Extension Services (ES) in the 2009 biennium, increasing general fund \$797,711, as the state percent share of all ES funding is calculated at 69 percent.

DP 9040 - Present Law Adjustments - Fire Services Training - The legislature approved statewide present law adjustments for the FSTS in the 2009 biennium, increasing general fund \$87,548, as the state percent share of all FSTS funding is calculated at 100 percent.

DP 9050 - Present Law Adjustments - Forestry & Cons. - The legislature approved statewide present law adjustments for the Forestry and Conservation Experiment Station (FCES) in the 2009 biennium, increasing general fund \$208,851, as the state percent share of all FCES funding is calculated at 100 percent.

DP 9060 - Present Law Adjustments - Bureau of Mines - The legislature approved statewide present law adjustments for the bureau in the 2009 biennium, increasing general fund \$105,161, as the state percent share of all bureau funding is calculate at 98.5 percent.

DP 9063 - BoM - New Space - Restricted - The legislature approved \$112,075 general fund to support new space for the bureau in the new Petroleum Building, approved by the legislature in HB 5 in the 2005 legislative session.

DP 9064 - BoM - Miscellaneous - The legislature approved \$13,704 general fund to support the state percent share of base reductions due to increased gasoline costs.

DP 9065 - FSTS - Miscellaneous - The legislature approved \$12,965 general fund to support the state percent share of present law cost increases for repair and maintenance, for a lease increase, as well as base reductions due to increased gasoline costs.

DP 9066 - FCES - Miscellaneous - The legislature approved \$2,760 general fund to support the state percent share of present law cost increases for repair and maintenance costs.

DP 9067 - AES - Miscellaneous - The legislature approved \$154,468 general fund to support the state percent share of present law cost increase for repair and maintenance, new space costs, as well as base reductions due to increased gasoline costs at the Agriculture Experiment Station.

DP 9068 - Correction Between FCES and ES - The legislature approved this budget accounting correction required as a result of the agency budget submission recording base year expenditures on the wrong reporting level, thus overstating the expenditures for one agency and understating expenditures for the other. This DP has a net funding effect of zero as it simply corrects the budget statement of expenditures between the ES and the FCES. (This DP is repeated in the ES sub-program as well.)

DP 9069 - ES - Miscellaneous - The legislature approved \$7,392 general fund to support the state percent share of present law cost increases for repair and maintenance as well as base reductions due to increased gasoline costs.

DP 9075 - Consolidate BioBased with AES RL - The legislature consolidated the miscellaneous sub-program appropriation of \$200,000 general fund for the Bio-based Institute as part of the ongoing budget of the AES, where the institute resides. This DP has no net fiscal impact as it simply consolidates budget reporting levels.

DP 9999 - General Fund Replacement with Six Mill Levy Funds - The legislature approved reconciling the budget with the Revenue and Transportation Committee revenue estimates regarding six mill levy revenue, funding the budget with all available six mill levy and reducing general fund by a like amount.

### New Proposals

New Proposals										
Program	FTE	Fiscal 2008				Fiscal 2009				Total Funds
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	
DP 1 - Bureau of Mines - Maintain Program Funding Level										
09	0.00	0	69,038	0	69,038	0.00	0	105,076	0	105,076
DP 2 - Bureau of Mines - Personal Services Present Law										
09	0.00	0	32,128	0	32,128	0.00	0	65,412	0	65,412
DP 3 - Bureau of Mines - Operations Support										
09	0.00	0	2,672	0	2,672	0.00	0	5,398	0	5,398
DP 68 - Add One Fire Trainer at FSTS										
09	0.00	108,983	0	0	108,983	0.00	74,000	0	0	74,000
DP 6013 - 2009 Biennium Pay Plan - HB 13										
09	0.00	7,116,527	0	0	7,116,527	0.00	16,185,887	0	0	16,185,887
DP 6014 - Retirement Employer Contributions - HB 131 & HB 63										
09	0.00	1,109,035	0	0	1,109,035	0.00	1,089,489	0	0	1,089,489
DP 9001 - Funding for Cost Increase Adjusts -Ed Units (Res.)										
09	0.00	9,767,959	0	0	9,767,959	0.00	13,507,974	0	0	13,507,974
DP 9002 - Funding for Cost Increase Adjusts -Ed Units (WUE)										
09	0.00	524,003	0	0	524,003	0.00	752,168	0	0	752,168
DP 9008 - Tuition Waivers - H.S. Honors Program OTO										
09	0.00	0	500,000	0	500,000	0.00	0	500,000	0	500,000
DP 9053 - Equip & Tech in High Demand Flds MUS/CC (Rest/OTO)										
09	0.00	2,000,000	2,000,000	0	4,000,000	0.00	0	0	0	0
DP 9054 - Wrkfce Train. in High Demand Fields MUS & CC -OTO										
09	0.00	1,500,000	0	0	1,500,000	0.00	0	0	0	0
DP 9055 - Research Agencies Equipment - OTO										
09	0.00	1,000,000	0	0	1,000,000	0.00	0	0	0	0
DP 9333 - Agriculture Experiment Station Addl. Approp (OTO)										
09	0.00	50,000	0	0	50,000	0.00	50,000	0	0	50,000
DP 9444 - MT - Tech Advanced Nursing Workforce Prog (Rst/OTO)										
09	0.00	40,000	0	0	40,000	0.00	40,000	0	0	40,000
DP 9555 - UM - Missoula Speech Pathology Prog (Rst/Bien/OTO)										
09	0.00	700,000	0	0	700,000	0.00	0	0	0	0
DP 9666 - Whitefish Lake Study by Yellow Bay (Restricted)										
09	0.00	25,000	0	0	25,000	0.00	25,000	0	0	25,000
DP 9777 - MSU Bzemn - PBS TV Satellite System (Rst/Bien/OTO)										
09	0.00	400,000	0	0	400,000	0.00	0	0	0	0
DP 9888 - MSU-Northern Science and Water Programs										
09	0.00	240,000	0	0	240,000	0.00	240,000	0	0	240,000
<b>Total</b>	<b>0.00</b>	<b>\$24,581,507</b>	<b>\$2,603,838</b>	<b>\$0</b>	<b>\$27,185,345*</b>	<b>0.00</b>	<b>\$31,964,518</b>	<b>\$675,886</b>	<b>\$0</b>	<b>\$32,640,404*</b>

DP 1 - Bureau of Mines - Maintain Program Funding Level - The legislature approved \$174,114 state special revenue funding from the natural resources operations fund in the 2009 biennium to restore one-time program funding increases approved in the 2007 biennium, contingent upon passage and approval of HB 116, which was subsequently passed and approved during the 2007 regular session.

DP 2 - Bureau of Mines - Personal Services Present Law - The legislature approved \$97,540 state special revenue funding, from the natural resources operations fund, in the 2009 biennium to support personal services present law increases, contingent upon the passage and approval of HB 116, which was subsequently passed and approved during the 2007 regular session.

DP 3 - Bureau of Mines - Operations Support - The legislature approved \$8,070 state special revenue funding, from the natural resources operations fund, in the 2009 biennium to support a 2 percent annual increase in gasoline and other operations costs.



DP 68 - Add One Fire Trainer at FSTS - The legislature approved \$182,983 general fund in the 2009 biennium budget in order to add an additional 1.0 FTE for a fire trainer at the Fire Services Training School.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

The figure illustrates the general fund allocations of pay plan to the university educational units and the research public service agencies.

DP 6014 - Retirement Employer Contributions - HB 131 & HB 63 - The legislature adopted HB 131 and HB 63, which increase the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

DP 9001 - Funding for Cost Increase Adjusts -Ed Units (Res.) - The legislature approved \$23.3 million general fund as a new proposal to support cost increase adjustments at the university educational units that are attributed to the cost of education for Montana resident students. This calculation is based upon a negotiated agreement with the university system on each present law cost factor and is funded at approximately 80 percent state share, which is the ratio of Montana resident student enrollment at the university educational units. This calculation represents a significant change in budget policy and significantly expands the scope of state government funding of the university system.

DP 9002 - Funding for Cost Increase Adjusts -Ed Units (WUE) - The legislature approved \$1.3 million general fund, as a new proposal, to support cost increase adjustments at the university educational units that are attributed to the cost of education for students studying in Montana as part of the Western Regional Undergraduate Exchange (WUE) student program. This calculation is based upon a negotiated agreement with the university system on each present law cost factor and is funded at approximately an additional 4.7 percent state share, which is the ratio of WUE student enrollment at the university educational units. This calculation represents a significant change in budget policy as WUE students have never been included in the state percent share calculation.

The figure below illustrates the formula and policy changes that drive the appropriations in DP 9001 and DP 9002, which represent the primary components of the tuition CAP program (College Affordability Plan) in this bill.

Figure 15 Montana University System HB 13 Pay Plan Allocations to University System Programs Educational Units and Public Service/Research Agencies 2009 Biennium Budget (General Fund Only)			
MUS Program	FY 2008	FY 2009	Biennial Total
University Educational Units	6,607,150	15,008,485	21,615,635
Agriculture Experiment Station	286,349	662,330	948,679
Extension Service	141,417	325,605	467,022
Forest Conservation Exp. Station	24,067	56,380	80,447
Bureau of Mines & Geology	42,680	98,712	141,392
Fire Services Training School	14,864	34,375	49,239
Total (DP 6013)	\$7,116,527	\$16,185,887	\$23,302,414

<p align="center">Figure 16 Montana University System Annual Cost Adjustment Factors and Rates for University Educational Units Comparative between Montana University System and State Government Budgets 2007 and 2009 Biennia</p>				
Cost Adjustment Factor (Present Law)	HB2 Funding Status (2007 Biennium)	Original Cost Rates Projected by MUS (2009 Biennium)	Actual Cost Rates Used in HB 2 Legislative Budget Tuition CAP	
			FY 2008	FY 2009
State Pay Plan	Yes	3.0%	3.50%	3.50%
Health Insurance	Yes	10.0%	6.00%	6.00%
Other Benefits	Yes	1.5%	16.46%	16.54%
Emp. Merit/Mkt. Adjusts.	Not Funded	0.5%	Part of Pay Plan	Part of Pay Plan
Vacancy Savings	Yes	3.0%	4.0%	4.0%
Insurance (Tort Claims)	Yes	0.0%	0.0%	0.0%
Other State Fixed Costs	Yes	4.0%	4.0%	4.0%
IT Fixed Costs	Partial Funding	6.0%	6.0%	6.0%
Library Acquisitions	Partial Funding	7.0%	7.0%	7.0%
Utility Adjustments	Partial Funding	20.0%	\$14,056,216	\$14,494,969
Other Operating Costs	Not Funded	2.5%	2.5%	2.5%
Contingency Costs	Not Funded	2.5%	Part of Other Op Costs	Part of Other Op Costs
Fee Waivers	Not Funded	6.0%	\$5,435,441	\$6,100,022
Enrollment Growth	Yes	\$3,566,827	No Growth Budgeted	No Growth Budgeted
New Space O & M Costs	Yes	\$1,227,635	\$748,872	\$1,191,154
Faculty Promotion Pool	Not Funded	\$834,224	\$443,197	\$422,027
Faculty Termination Costs*	Not Funded	\$1,254,858	\$2,164,368	\$2,164,368
<u>State Percent Share Model:</u>				
For Present Law Cost Adjusts	80%	80.6%**	84.7%	84.7%
For Pay Plan	39%	42.2%	84.7%	84.7%
For State Employee Retirement	n/a	n/a	84.7%	84.7%
* FY 2008 and 2009 levels represent the FY 2006 actual, and executive agrees to assist if costs exceed this in the 2009 biennium				
** Represents the percentage funding level for those cost adjustments that state government will fund. Overall, the percentage funding level for all cost adjustments (present law) was projected at 37.7%				
Sources: OCHE System Summary Document (May 2006) - HB2/MBARS for 2007 legislative session - PLA Assumptions Version 14 (2009 Biennium)				

The figure above demonstrates what served as the foundation for the CAP, specifically that the legislature and the university system reached an agreement as to the actual ongoing present law budget for the university educational units. This budget is comprised of the specific percentage rates, the expenditure projections, and the state percent share allocations illustrated above. Based upon the agreement upon these factors, the CAP budget was able to be built with the objective of realizing no new revenue from resident student tuition, which allows those tuition rates to remain frozen at their FY 2007 levels.

DP 9008 - Tuition Waivers - H.S. Honors Program OTO - The legislature approved one-time-only new funding for the cost of tuition waivers associated with the High School Honors Program, using \$1 million six mill levy revenue in the 2009 biennium.

DP 9053 - Equip & Tech in High Demand Flds MUS/CC (Rest/OTO) - The legislature approved a one-time-only appropriation of \$4.0 million in the 2009 biennium, including \$2.0 million general fund and \$2.0 million six-mill levy revenue, to support equipment and technology acquisition by the university educational units and community colleges. The funding must be targeted to support healthcare, skilled industries, and high demand programs; as well as to support classroom equipment and technology. A nonstate funding match is required for this appropriation, a total of \$1.75 million. The appropriation is restricted such that community colleges would not receive any six-mill levy funding, in accordance with 15-10-107, MCA, and 20-25-423, MCA.

DP 9054 - Workforce Train. in High Demand Fields MUS & CC -OTO - The legislature approved a one-time-only general fund increase of \$1.5 million to support new workforce development initiatives, specifically for capital and operational costs that expand program capacity at the university educational units. This appropriation requires a nonstate funding match of \$700,000.

DP 9055 - Research Agencies Equipment - OTO - The legislature approved a one-time-only general fund appropriation of \$1.0 million for new equipment acquisitions by the five research/public service agencies. These funds must be disbursed through a competitive grant process administered by OCHE that must give scoring priority to projects that include non-state matching funds.

DP 9333 - Agriculture Experiment Station Addl. Approp (OTO) - The legislature approved a one-time-only general fund appropriation of \$50,000 in the 2009 biennium to fund operational support at the Agriculture Experiment Station.

DP 9444 - MT - Tech Advanced Nursing Workforce Prog (Rst/OTO) - The legislature approved a one-time-only, restricted general fund appropriation of \$40,000 each year of the 2009 biennium to support the costs to Montana Tech at Butte in hosting the Academy for Advanced Nursing Workforce Solutions.

DP 9555 - UM - Missoula Speech Pathology Prog (Rst/Bien/OTO) - The legislature approved a \$700,000 restricted, one-time-only general fund appropriation to support the start-up costs of the speech pathology program at the University of Montana at Missoula.

DP 9666 - Whitefish Lake Study by Yellow Bay (Restricted) - The legislature approved a restricted general fund appropriation of \$25,000 each year of the 2009 biennium to fund the Yellow Bay Biological Station work on limnological studies of Whitefish Lake.

DP 9777 - MSU Bzemn - PBS TV Satellite System (Rst/Bien/OTO) - The legislature approved a restricted, biennial, one-time-only general fund appropriation of \$400,000 to support the satellite delivery system for PBS Television at MSU Bozeman. The Board of Regents hold the license for PBS.

DP 9888 - MSU-Northern Science and Water Programs - The legislature approved an appropriation of \$240,000 general fund each year of the 2009 biennium to support the science and water programs at MSU-Northern in Havre. This program has been funded from the proceeds of the Resource Indemnity Trust (RIT), but HB 116 eliminated that RIT funding.

## **Language**

### *Appropriation of Other Revenue to the University Educational Units*

HB 2 includes the following language to establish investment earnings revenue projections for the university educational units:

“Revenue anticipated to be received by the Montana university system units and colleges of technology include interest earnings and other revenue of \$2,136,468 each year of the 2009 biennium. These amounts are appropriated for current unrestricted operating expenses as a biennial lump-sum appropriation and are in addition to the funds shown in OCHE.”

### *Revenue Projections for Research/Public Service Agencies*

HB 2 includes the following language that includes revenue projections for various revenue sources for the research/public service agencies:

“Revenue anticipated to be received by the agricultural experiment station includes:

- (1) interest earnings and other revenue of \$60,308 each year of the 2009 biennium; and
- (2) federal revenue of \$2,098,417 in fiscal year 2008 and \$2,109,926 in fiscal year 2009.”

“Revenue anticipated to be received by the extension service includes:

- (1) interest earnings of \$20,133 each year of the 2009 biennium; and
- (2) federal revenue of \$2,429,908 in fiscal year 2008 and \$2,437,119 in fiscal year 2009.”

“Anticipated interest revenue of \$692 in each year of the 2009 biennium is appropriated to the forestry and conservation experiment station for current unrestricted operating expenses. This amount is in addition to that shown in OCHE -- Appropriation Distribution Transfers.”

“Anticipated sales revenue of \$36,828 in fiscal year 2008 and \$37,983 in fiscal year 2009 is appropriated to the bureau of mines and geology for current unrestricted operating expenses. This amount is in addition to that shown in OCHE -- Appropriation Distribution Transfers.”

“Anticipated interest revenue of \$943 each year of the 2009 biennium is appropriated to the fire services training school for current unrestricted operating expenses. This amount is in addition to that shown in OCHE -- Appropriation Distribution Transfers.”

#### *Miscellaneous Language Recommendations*

HB 2 includes the following language to require a transfer to the energy conservation program:

“OCHE -- Appropriation Distribution Transfers includes \$932,200 for the 2009 biennium that must be transferred to the energy conservation program account and used to retire the general obligation bonds sold to fund energy improvements through the state energy conservation program. The costs of this transfer in each year of the biennium are: university of Montana-Missoula, \$104,000 in fiscal year 2008 and \$95,000 in fiscal year 2009; Montana tech of the university of Montana, \$31,800 in fiscal year 2008 and \$31,800 in fiscal year 2009; Montana state university-northern, \$69,200 in fiscal year 2008 and \$60,200 in fiscal year 2009; Montana state university-Bozeman, \$58,000 in fiscal year 2008; Montana state university-Billings, \$105,500 in fiscal year 2008 and \$105,500 in fiscal year 2009; and western Montana college of the university of Montana, \$108,650 in fiscal year 2008 and \$108,150 in fiscal year 2009.”

HB 2 includes the following language to allocate funds for the Montana natural resource information system:

“The Montana university system shall pay \$88,506 for the 2009 biennium in current funds in support of the Montana natural resource information system (NRIS) located at the Montana state library. Quarterly payments must be made upon receipt of the bills from the state library, up to the total amount appropriated.”

"Yellow Bay Biological Station is restricted; \$100,000 each fiscal year is restricted to laboratory work associated with Flathead basin water quality monitoring, and \$25,000 each fiscal year is restricted to limnological investigations on Whitefish Lake in partnership with the Whitefish Lake institute."

This bill includes the following language with DP 9053 and DP 9054 to require nonstate matching funds for these equipment and program development grant programs:

“Of the \$2 million 6-mill levy and \$2.0 million general fund appropriation for equipment and technology in Equipment and Technology, \$1.75 million must be matched on a one-to-one basis from nonstate funds identified by the board of regents. The grant process for distributing these funds, administered by the office of the commissioner of higher education, must require this one-to-one funding match by applicants and give scoring priority to grants that include matching funds. Matching funds may include federal revenue, private revenue, and other nonstate university funds. The funding match may include in-kind revenue only if that revenue is equipment itself, cost reductions offered for purchased equipment, or space to house equipment. The office of the commissioner of higher education shall certify to the office of budget and program planning that an allowable funding match has been committed from an eligible revenue source, as evidenced by a commitment letter from that funding source. This appropriation is restricted so that 6-mill levy revenue may not be awarded to the community colleges.”

“Of the \$1.5 million general fund appropriation for high demand programs in Workforce Training--Program Development, \$700,000 must be matched by no less than one-half the appropriation amount with nonstate funds identified by the board of regents. The grant process for distributing these funds, administered by the office of the commissioner of higher education, must require this funding match ratio and give scoring priority to grants that include matching funds. Matching funds may include federal revenue, private revenue, and other nonstate university funds. The funding match may include in-kind revenue only if that revenue is equipment itself, cost reductions offered for purchased equipment, or space to house equipment. The office of the commissioner of higher education shall certify to the office of budget and program planning that an allowable funding match has been committed from an eligible revenue source, as evidenced by a commitment letter from that funding source.”

HB 2 includes language that restricts the funding to Montana Tech at Butte to support the costs of the nursing academy:

"Montana Tech Advanced Nursing Workforce Program is restricted to funding the costs to the university system associated with courses at Montana tech for advanced nursing students' transition to the workforce in partnership with the St. James healthcare foundation."

### Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Grants	400,000	50,000	507,000	957,000	50,000	507,000	957,000	1,914,000
<b>Total Costs</b>	<b>\$400,000</b>	<b>\$50,000</b>	<b>\$507,000</b>	<b>\$957,000</b>	<b>\$50,000</b>	<b>\$507,000</b>	<b>\$957,000</b>	<b>\$1,914,000</b>
General Fund	400,000	50,000	507,000	957,000	50,000	507,000	957,000	1,914,000
<b>Total Funds</b>	<b>\$400,000</b>	<b>\$50,000</b>	<b>\$507,000</b>	<b>\$957,000</b>	<b>\$50,000</b>	<b>\$507,000</b>	<b>\$957,000</b>	<b>\$1,914,000</b>

### Program Description

The Tribal College Assistance program provides funding to support a portion of the costs of educating non-beneficiary Montana students (non-tribal members) attending the seven tribal community colleges on the reservations in Montana. Section 20-25-428, MCA requires the Board of Regents to provide assistance to tribal colleges “subject to a line item appropriation” by the legislature, up to a maximum of \$3,024 per year for each non-beneficiary student FTE. The statute does not establish a minimum appropriation level.

### Program Highlights

Tribal College Assistance Program Major Budget Highlights	
♦	The legislative budget increases general fund \$250,000 per year to support non-beneficiary student assistance during the 2009 biennium
♦	The legislature made a one-time appropriation of \$1.01 million general fund in the 2009 biennium for the tribal college assistance program

### Program Narrative

Tribal colleges are under federal jurisdiction to provide post-secondary education for tribal members but the colleges receive no federal funding assistance to support the costs of education for non-beneficiary students. Since student tuition rates typically do not cover the full cost of education, as the federal subsidy allows lower tuition rates, state funding to support non-beneficiary resident students is intended to keep tuition rates lower for these Montana students as well.

The seven accredited tribal colleges in Montana, as federal government and reservation institutions, are not subject to governance or control by either the Montana Board of Regents or the legislature, nor are they required to offer admission to non-beneficiary students.

### Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Tribal College Assistance						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
<b>01000 Total General Fund</b>	<b>\$ 400,000</b>	<b>100.0%</b>	<b>\$ 957,000</b>	<b>100.0%</b>	<b>\$ 957,000</b>	<b>100.0%</b>
01100 General Fund	400,000	100.0%	957,000	100.0%	957,000	100.0%
<b>Grand Total</b>	<b>\$ 400,000</b>	<b>100.0%</b>	<b>\$ 957,000</b>	<b>100.0%</b>	<b>\$ 957,000</b>	<b>100.0%</b>

Funding for the tribal college assistance program is entirely from state general fund.

**Present Law Adjustments**

The “Present Law Adjustments” table shows the primary changes to the adjusted base budget approved by the legislature. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2008-----					-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1101 - Biennial Appropriation Adjustment									
0.00	(200,000)	0	0	(200,000)	0.00	(200,000)	0	0	(200,000)
DP 1102 - Increase Non-beneficiary Student Assistance									
0.00	250,000	0	0	250,000	0.00	250,000	0	0	250,000
Total Other Present Law Adjustments									
0.00	\$50,000	\$0	\$0	\$50,000	0.00	\$50,000	\$0	\$0	\$50,000
Grand Total All Present Law Adjustments									
				\$50,000					\$50,000

**Program Legislative Budget**

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	57.20	0.00	(1.00)	56.20	0.00	(1.00)	56.20	56.20
Personal Services	1,994,402	564,960	70,751	2,630,113	571,159	196,131	2,761,692	5,391,805
Operating Expenses	5,216,892	24,209	382,813	5,623,914	6,332	150,000	5,373,224	10,997,138
Equipment	7,499	0	0	7,499	0	0	7,499	14,998
Benefits & Claims	21,967,240	0	18,700,000	40,667,240	0	21,800,000	43,767,240	84,434,480
Transfers	36,600	0	0	36,600	0	0	36,600	73,200
<b>Total Costs</b>	<b>\$29,222,633</b>	<b>\$589,169</b>	<b>\$19,153,564</b>	<b>\$48,965,366</b>	<b>\$577,491</b>	<b>\$22,146,131</b>	<b>\$51,946,255</b>	<b>\$100,911,621</b>
Federal Special	29,222,633	589,169	19,153,564	48,965,366	577,491	22,146,131	51,946,255	100,911,621
<b>Total Funds</b>	<b>\$29,222,633</b>	<b>\$589,169</b>	<b>\$19,153,564</b>	<b>\$48,965,366</b>	<b>\$577,491</b>	<b>\$22,146,131</b>	<b>\$51,946,255</b>	<b>\$100,911,621</b>

**Program Description**

The Montana Guaranteed Student Loan Program (GSL) operates under federal regulation with federal funds to guarantee student loans that are made by private lenders to higher education students in Montana. GSL purchases and services student loans that are in default, works with students to prevent default, collects the outstanding balance from the defaulted loans for repayment to the US Department of Education, and provides training and technical assistance to schools and lenders. In addition to servicing the loans, the GSL program also provides counseling and assistance programs to students in an effort to prevent loan defaults. The Montana Guaranteed Student Loan program is authorized under Section 20-26-11, MCA.

**Program Highlights**

<b>Guaranteed Student Loan Program Major Budget Highlights</b>
<p>The legislative budget increases federal authority by \$41.5 million over the 2009 biennium to address the following:</p> <ul style="list-style-type: none"> <li>◆ \$28 million for a projected increase in claim payments to private lenders to purchase defaulted student loans</li> <li>◆ \$12.5 million for a projected increase in collection costs and the reimbursement of collected loan funds to the U.S. Department of Education</li> </ul>

**Program Narrative**

Starting in 1979, the Montana Board of Regents accepted responsibility to serve as the “guarantor” of the funds private lenders would loan to Montana students under the federal student loan program. Without a government entity serving as guarantor, there would be little incentive for private lenders to make student loans to young people who typically have a high-risk profile (based upon age, income status, length of employment, and their intention to be full-time students). Therefore, the Board of Regents created the Guaranteed Student Loan (GSL) program and agreed that they would “guarantee” private loans by agreeing to purchase defaulted student loans from private lenders and take responsibility for collecting on these loans.



The legislature approved significant federal funding increases for the GSL program in the 2009 biennium based upon projected growth to the outstanding loan portfolio, which is projected to increase by \$1.2 billion to a portfolio total of \$2.8 billion by the end of FY 2009. The primary drivers to this portfolio growth include:

- New loan growth at the rate of 4.0 percent per year that is expected from the federal increase to student loan borrowing limits, more students borrowing funds to finance higher education, and additional private lending institutions making students loans that will be guaranteed by the GSL
- A projected portfolio growth of \$400 million each year from the consolidation of loans by the Student Assistance Foundation (SAF)

As a result of these growth projections, the legislature substantially increased the federal authority required for GSL to purchase the defaulted loans from private lenders and then to make the claim payments on the collected loan funds back to the U.S. Department of Education.

### Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Guaranteed Student Loan						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
<b>03000 Total Federal Special Funds</b>	<b>\$ 29,222,633</b>	<b>100.0%</b>	<b>\$ 48,965,366</b>	<b>100.0%</b>	<b>\$ 51,946,255</b>	<b>100.0%</b>
03400 Guaranteed Std. Loan-Admin.	9,340,701	32.0%	15,700,621	32.1%	17,064,323	32.8%
03401 U.S. Dept Ed / Gsl Recall Acct	19,854,406	67.9%	33,237,219	67.9%	34,854,406	67.1%
03410 Gear Up Essay Scholarship	27,526	0.1%	27,526	0.1%	27,526	0.1%
<b>Grand Total</b>	<b>\$ 29,222,633</b>	<b>100.0%</b>	<b>\$ 48,965,366</b>	<b>100.0%</b>	<b>\$ 51,946,255</b>	<b>100.0%</b>

The Montana Guaranteed Student Loan Program is funded entirely with federal special revenue.

### Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2008-----					-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				671,600					678,055
Vacancy Savings				(106,640)					(106,896)
Inflation/Deflation				15,468					16,336
Fixed Costs				9,055					(9,680)
<b>Total Statewide Present Law Adjustments</b>				<b>\$589,483</b>					<b>\$577,815</b>
DP 6015 - State Motor Pool Rate Change									
0.00	0	0	(314)	(314)	0.00	0	0	(324)	(324)
<b>Total Other Present Law Adjustments</b>									
<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$314)</b>	<b>(\$314)</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$324)</b>	<b>(\$324)</b>
<b>Grand Total All Present Law Adjustments</b>				<b>\$589,169</b>					<b>\$577,491</b>

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

## New Proposals

New Proposals										
Program	FTE	Fiscal 2008				Fiscal 2009				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1251 - GSL Increased Claims Payments										
12	0.00	0	0	13,000,000	13,000,000	0.00	0	0	15,000,000	15,000,000
DP 1252 - GSL Increased Collection Costs										
12	0.00	0	0	5,700,000	5,700,000	0.00	0	0	6,800,000	6,800,000
DP 1253 - GSL Federal Fund Reserve Recall										
12	0.00	0	0	382,813	382,813	0.00	0	0	0	0
DP 1254 - GSL Guarantee Servicing System										
12	0.00	0	0	0	0	0.00	0	0	150,000	150,000
DP 1255 - Transfer 1 FTE from MGSLP to Stud. Assist.										
12	(1.00)	0	0	(42,894)	(42,894)	(1.00)	0	0	(42,907)	(42,907)
DP 6013 - 2009 Biennium Pay Plan - HB 13										
12	0.00	0	0	111,153	111,153	0.00	0	0	236,471	236,471
DP 6014 - Retirement Employer Contributions - HB 131 & HB 63										
12	0.00	0	0	2,492	2,492	0.00	0	0	2,567	2,567
<b>Total</b>	<b>(1.00)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$19,153,564</b>	<b>\$19,153,564*</b>	<b>(1.00)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$22,146,131</b>	<b>\$22,146,131*</b>

DP 1251 - GSL Increased Claims Payments - The legislature approved an increase in federal spending authority of \$28 million over the 2009 biennium in order to meet projected increases in claim payments that would be made to private lenders in order to purchase defaulted student loans, as required by the program's role as "guarantor."

DP 1252 - GSL Increased Collection Costs - The legislature approved an increase of federal spending authority of \$12.5 million over the 2009 biennium in order to meet projected increases in collection costs that are expected to be driven by the increase in claim payments from the larger outstanding loan portfolio, by changes to the federal higher education act that requires higher repayment levels to the federal government by the GSL program, and by a projected increase in default collections resulting from changing federal regulations of collections processes.

DP 1253 - GSL Federal Fund Reserve Recall - The legislature approved an increase of federal spending authority of \$382,813 in FY 2008 in order to meet federal requirements for a reserve recall payment by the GSL program in September 2007.

DP 1254 - GSL Guarantee Servicing System - The legislature approved an increase of federal spending authority of \$150,000 for FY 2009 due to an anticipated increase in operating costs related to the contract for loan guarantee servicing. The existing contract with the Great Lakes Higher Education Corporation will expire in FY 2008 and the GSL projects that a new contract for these services will be as much as 20 percent higher than the current contract.

DP 1255 - Transfer 1 FTE from MGSLP to Stud. Assist. - The legislature approved moving 1.00 FTE, a vacant position, and \$85,801 federal funding to the Student Assistance program, where this staff position will manage the Montana Family Education Savings Program.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan, all of which is federal funding.

DP 6014 - Retirement Employer Contributions - HB 131 & HB 63 - The legislature adopted HB 131 and HB 63, which increase the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

### Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Personal Services	2,900	(2,900)	6,300	6,300	(2,900)	6,300	6,300	12,600
Operating Expenses	25,501	0	0	25,501	0	0	25,501	51,002
<b>Total Costs</b>	<b>\$28,401</b>	<b>(\$2,900)</b>	<b>\$6,300</b>	<b>\$31,801</b>	<b>(\$2,900)</b>	<b>\$6,300</b>	<b>\$31,801</b>	<b>\$63,602</b>
General Fund	28,401	(2,900)	6,300	31,801	(2,900)	6,300	31,801	63,602
<b>Total Funds</b>	<b>\$28,401</b>	<b>(\$2,900)</b>	<b>\$6,300</b>	<b>\$31,801</b>	<b>(\$2,900)</b>	<b>\$6,300</b>	<b>\$31,801</b>	<b>\$63,602</b>

### Program Description

The Board of Regents administration program provides secretarial support, travel (mileage, lodging and food) and per diem for board members in order to maintain operations for the Board of Regents (Regents). Under Article X, Section 9, Montana Constitution, and Section 20-25-301, MCA, the Regents have full power, responsibility, and authority to supervise, coordinate, manage, and control the Montana University System, including the appointment of the Commissioner of Higher Education (CHE).

### Program Highlights

Board of Regents Administration Program Major Budget Highlights	
◆	The HB 2 legislative budget restores \$6,300 general fund each year of the 2009 biennium for per diem expenditures for the Board of Regents

### Program Narrative

The Regents meet six times each year on a bimonthly basis to provide oversight and governance over the Montana University System. Meetings typically last two days or three days, including a biannual joint meeting with the state Board of Public Education, which meets with the Regents as the constitutional State Board of Education authorized at 20-2-101, MCA.

### Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Board Of Regents-Admin						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
<b>01000 Total General Fund</b>	<b>\$ 28,401</b>	<b>100.0%</b>	<b>\$ 31,801</b>	<b>100.0%</b>	<b>\$ 31,801</b>	<b>100.0%</b>
01100 General Fund	28,401	100.0%	31,801	100.0%	31,801	100.0%
<b>Grand Total</b>	<b>\$ 28,401</b>	<b>100.0%</b>	<b>\$ 31,801</b>	<b>100.0%</b>	<b>\$ 31,801</b>	<b>100.0%</b>

Funding for the Board of Regents Administration program is entirely from general fund.

**Present Law Adjustments**

The “Present Law Adjustments” table shows the primary changes to the adjusted base budget approved by the legislature. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2008-----						-----Fiscal 2009-----				
	FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Total Funds
Personal Services					(2,900)					(2,900)
<b>Total Statewide Present Law Adjustments</b>					<b>(\$2,900)</b>					<b>(\$2,900)</b>
<b>Grand Total All Present Law Adjustments</b>					<b>(\$2,900)</b>					<b>(\$2,900)</b>

**New Proposals**

New Proposals										
-----Fiscal 2008-----						-----Fiscal 2009-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Total Funds
DP 1301 - Restore Base -Per Diem										
13	0.00	6,300	0	0	6,300		0.00	6,300	0	6,300
<b>Total</b>	<b>0.00</b>	<b>\$6,300</b>	<b>\$0</b>	<b>\$0</b>	<b>\$6,300*</b>		<b>0.00</b>	<b>\$6,300</b>	<b>\$0</b>	<b>\$6,300*</b>

DP 1301 - Restore Base -Per Diem - The legislature approved funding per diem payments for the Board of Regents at the statutory rate of \$50 per day. For the biennium the total general fund is \$12,600 to support 7 Regents to attend 12 meetings that run for 3 days at a rate of \$50/day (7 x 12 x 3 x \$50 = \$12,600).